FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,107 · Thursday December 11 1986 · D 8523 B

Foreigners rush for US wines, Page 16

World news

Pretoria extends crackdown on press

No South African journalist or foreign correspondent will be allowed to publish any report on "unrest" or resistance to the Pretoria Government without first obtaining authorisation from the relevant minister or official delegated by him, under new restrictions to be published today.

Full details have not yet been revealed of the new crackdown on the press but unrest and resistance will be broadly defined to include almost every kind of boycott or demonstration.

This represents a significant extension of the present emergency restrictions which ban reporting the actions of the security forces or presence at the scene of unrest without written permission from the police. Page 4

Nuclear workers hurt

Eight workers at a nuclear power plant near Richmond, Virginia, were injured when a pipe ruptured and sprayed them with superheated water and steam. Five were critically burned over most of their bodies, officials said.

Palestinians pull out

Palestinian guerrillas began withdrawing from positions in the strategic village of Maghdousheh in south Lebanon, in the first apparent success for Iranian and Libyan efforts to arrange a truce between Palestinians and Shia militia after 10 weeks of fighting around refugee camps in Beirut and south Lebanon. Page 4

Silent Paris march

Tens of thousands of students marched calmly and in almost total silence through Paris in homage to a 22-year-old colleague, killed last weekend during protests against a higher education reform bill which was later withdrawn. Page 2

Iran charges Briton

Britain sought an urgent meeting with Iran soon after receiving reports that Roger Cooper, 51, a British businessman held in Tehran for a year, had been charged with spying. He is being held at the Evin maximum security prison. Page 4

Spy trial speed-up

The controversial MI5 spy memoirs case in Sydney is set to reach a speedy climax next week after an unexpected compromise between Britain and former intelligence officer Peter Wright in which the UK made key admissions concerning secret documents. It rendered a British appeal today unnecessary. Page 4

Videla for trial

An Argentine judge ordered former military president Jorge Videla and two of his top cabinet ministers to face trial in connection with the kidnapping of a wealthy businessman in 1978. Videla is already serving a life term for human rights abuses.

Nobel winner's plea

Jewish author and concentration camp survivor Elie Wiesel was presented with the Nobel Peace Prize in Oslo and called for action to help the Palestinian people, adding that terrorism was not the answer.

Rembrandt record

A Rembrandt portrait of a young girl fetched £7.26m ($10.34m) at Sotheby's in London, a record price. It went to an anonymous private collector.

The long goodbye

In Alexander City, Alabama, a prisoner serving as a late-night disc jockey on a programme for inmates escaped after putting on a three-hour tape as his sign-off music in the early hours. He was not missed until the tape ended.

Business summary

Chevron writes off $320m in exploration

CHEVRON, US west coast oil company, bit the bullet of lower oil prices by announcing that it made a $320m after-tax write off against its exploration activities.

WALL STREET: The Dow Jones industrial average closed up 18.03 at 1,932.93. Page 48

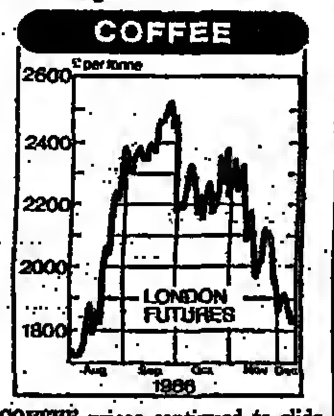
LONDON: A more normal pace returned as trading in British Gas eased. The FT Ordinary index added 1.1 to 1,285.5 but the FT-SE 100 shed 1.3 to 1,634.8. Page 43

TOKYO: The Nikkei average gained 173.46 to 18,776.18, as investors sought biotechnology-related drugs and foodstuffs. Page 48

GOLD rose $4.00 to $391.0 on the London bullion market. It also rose in Zurich to $392.25 ($387.75). In New York the February Comex gold settlement was $393.3. Page 40

DOLLAR closed in New York at DM 2.0065; SFr 1.6780; FFr 6.58225 and Y162.525. It fell in London to DM 2.0105 (DM 2.0190); it also fell to FFr 6.50 (FFr 6.6175); SFr 1.6815 (SFr 1.69); but rose to Y162.65 (Y162.60). On Bank of England figures the dollar's exchange rate index fell to 110.8 from 111.2. Page 41

STERLING closed in New York at $1.4275. It rose in London to $1.4250 ($1.4260); it also rose to Y231.75 (Y231.25); but fell elsewhere to DM 2.8650 (DM 2.8725); FFr 9.3950 (FFr 9.4150); SFr 2.3975 (SFr 2.4050). The pound's exchange rate index fell 0.1 to 68.2. Page 41



COFFEE prices continued to slide as traders remained cautious ahead of today's meeting of the International Coffee Organisation to re-introduce export quotas. The March futures price hit a four-month low, falling £30 to £1,810 a tonne, but closed slightly higher at £1,819. Page 40

VOLKSFÜRSORGE: West Germany's trade unions have been holding talks with the country's savings banks association about the possible sale of the union-owned Volksfürsorge insurance group. Page 25

ISODEL, a Madrid concern specialising in the manufacture of circuit-breakers, has come near to concluding a long history of troubles with the start of redundancy procedures for all of the company's workforce of over 800. Page 25

FLUOR, US construction and process engineering group which announced a $633m loss last year and barely broke even in the first nine months of the current year, posted a fourth quarter loss from continuing operations of $28.8m. Page 26

MAN, biggest mechanical engineering group in West Germany, saw the inflow of new business drop sharply in the first four months of the current financial year as a result of tougher conditions in export markets. Page 25

FORD, second largest US motor company, is to amalgamate its tractor and agricultural machinery businesses into a single worldwide operation in an attempt to streamline its efforts in a highly competitive and difficult industry. Page 25

IRWIN JACOBS, Minneapolis investor, turned up the pressure on Borg-Warner, diversified vehicle parts and engineering conglomerate, and said that his investor group was seeking official clearance to acquire "at least 50 per cent" of it. Page 25

Ceasefire poses major test for Aquino

BY RICHARD GOURLAY IN MANILA

COMMUNIST rebels and Government troops laid down their guns in the Philippines yesterday to give the country its first hours of real peace in 17 years as all sides honoured the start of the temporary ceasefire.

The successful start to the 60-day ceasefire is a momentous occasion in the Philippines history and milestone in President Corazon Aquino's nine-month administration.

Mrs Aquino has been determined to try to arrange a ceasefire as a central plank in her plans to return national stability to the Philippines. In so doing she came close to being the subject of a coup and provoked powerful opponents within her cabinet, leading to the exit of several senior members including Juan Ponce Enrile, former Defence Minister. She also unnerved the US Administration in Washington.

The failure of either side to honour yesterday's ceasefire would therefore have weakened her standing at home and abroad, strengthening the hand of fierce anti-Communists like Mr Enrile.

Mrs Aquino now faces several hurdles which would be all but impossible to surmount with Communist guerrillas and Government troops fighting it out in the hills and villages. But if the ceasefire holds, Mr Aquino's credibility and authority will be such as to give her long-term strategy for stability a much greater change of success.

The next key event is the referendum on the constitution next month. If her constitution is approved the way will be clear for the country to give fresh mandates, first in local government elections and later in 1987 in national assembly elections.

Two hours before the 60 day ceasefire took effect at noon, President Aquino's cabinet approved a $50m programme to entice New People's Army (NPA) rebels back from the hills.

"The prospects of a truly effective ceasefire depend on both sides' sincere desire for peace," Mrs Aquino said.

Talks for a lasting settlement begin later this month.

In at least towns, Bacolod and Cagayan de Oro, NPA guerillas appeared openly on the streets at rallies supporting the ceasefire. In Bacolod the rebels, who were without their firearms, were ferried in by bus. They carried banners saying: "Thank you Mrs Aquino for peace."

General Fidel Ramos, the armed forces chief of staff, ordered a halt to operations against the NPA but cautioned troops to be wary. The ceasefire nearly fell through after he ordered last weekend that troops should disarm and arrest NPA rebels found carrying firearms.

Since November 27 when the temporary ceasefire was signed by the Government and national Democratic Front negotiators for the NPA, 15 soldiers and civilians have died in rebel initiated incidents, General Ramos said.

In Manila the reaction to the ceasefire on the streets was subdued with the few rallies attracting small crowds and no recognisable rebels.

Right up to the noon deadline, the military and the NDF panel argued over the definition of military patrols. The compromise adopted late on Tuesday whereby the NPA can carry their firearms outside "centres of population" leaves many grey areas, according to General Renato de Villa of the Philippines constabulary.

There is still no clear definition of what is a centre of population or what is a legitimate military patrol.

"The key to the ceasefire is the military component of both sides," said Mr Antonio Zumel, an NDF negotiator. "It is they that hold the guns, and they that squeeze the trigger."

Through the guns are temporarily stilled, the propaganda war has just begun. Mr Teoisto Guingona, a cabinet minister and Government negotiator, hastily postponed a joint press conference at noon after discovering that the NDF had placed its flag against the Philippines flag behind his chair.

The Government had tried not to give anything away that would suggest the NPA has belligerantly stated which has a special meaning under the rules of war.

Mrs Aquino's approval of the $50m programme for 1987 to rehabilitate rebels who come down from the hills is an important element in her counter insurgency campaign. She believes thet most rebels are only in the hills because of the repressive regime of former President Ferdinand Marcos.

However, there has been little economic progress in the countryside and little social or land reform that the rebels are so anxious for.

Shortage of funds to provide employment and agricultural credits for former rebels is one reason why they have not retired from the NPA, according to priests involved in the rehabilitation programme.

Brussels plans fresh bid to salvage $7bn research spending

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission is to make a last-ditch effort to defend the remnants of its plans for ambitious increases in joint EEC research spending.

Attempts by the 12 member-states to agree on the Brussels authorities' proposals for an Ecu 7.73bn ($7.6bn) research budget for 1987-1991 lay in ruins yesterday after a bitterly divided all-night meeting of Community research ministers.

Their failure to make progress was being seen in Brussels yesterday as calling into question the conference of any EEC response to the need to close the technology gap with the US and Japan.

The programme – like the existing research policy – would channel Community cash into joint projects between member-states in areas such as advanced telecommunications, information technology and thermonuclear fusion.

The final hope for an accord lies with a compromise put forward in the early hours of yesterday by Mr Karl-Heinz Narjes, the Commissioner responsible for the sector, for a three-year interim Ecu 3.7bn plan, with gradually increasing levels of funding.

Research ministers, astonished by this apparent climb-down so soon after threats from the Commission to withdraw the framework programme entirely, if member-states insisted on emasculating it, asked Mr Narjes to give more details to national officials by the end of this week. Member-states will meet again on December 22 in a last attempt to agree.

Britain, West Germany and France, supported by the Netherlands, are seeking big cuts in the Commission's research proposals, while the other eight EEC partners are equally determined to support a plan which they see as an important contributor to their own technological development.

The Commission, meanwhile, is infuriated by a narrow budgetary row over a proposal which it maintains is crucial to helping European technology catch up with the US and Japan.

Diplomats said yesterday that despite signs earlier in the week of a willingness among member-states to compromise, the prospect of an accord based on Mr Narjes' proposal was uncertain. Mr Heinz Riesenhuber, the German Research and Technology Minister, said after the meeting that he did not even believe it worth his while to turn up to the next session.

The smaller EEC states were meanwhile understood to feel angered that the Commission had repaid their support on its research plan by making what seemed a large gesture towards the budget disciplinarians.

Italy, in particular, argued that it was inappropriate to set a three-year budget for a programme which included five-year projects such as the Race advanced telecommunications scheme.

Mr Narjes' plan is believed to be based on an Ecu 1.05bn allocation for the first 12 months, with a 21 per cent compound increase in subsequent years. That arithmetic would neatly bring the programme up to Ecu 7.735bn, the Commission's old figure, if the Narjes plan won a two-year extension after the end of its first stage.

In that way, it aims to meet the larger member-states' anxieties about making long-term budget commitments at a time when the EEC is under serious financial strain, while avoiding the need to make immediate research cuts.

If research ministers fail to agree later this month, existing programmes could still draw on the Ecu 1.1bn which has yet to be spent from the current research budget.

That could keep existing programmes running until around next spring, according to Commission officials. However, the first phase of Race, the most important new project in the EEC's research policy, has only been allocated cash until the end of this month.

Poindexter, North 'should be given legal immunity'

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR WILLIAM BLOOMFIELD, the leading Republican member of the House Foreign Affairs Committee said yesterday that he is going to press urgently for the two former White House officials at the centre of the Iran arms affair to be given immunity from prosecution to make it easier for them to tell Congress about the background to the scandal.

On Tuesday former White House Chief of Staff Vice Admiral John Poindexter and Lt Col Oliver North, who was dismissed as a member of the National Security Council staff, citing their rights under the Fifth Amendment to the constitution, both refused to answer questions put by the committee members on the ground that they might incriminate themselves.

Republicans are concerned about the sight of former top Reagan Administration officials on national television taking such action at a time when President Ronald Reagan is pledging full disclosure of the facts.

"I am going to recommend that we give these men immunity ... as soon as we possibly can," he said. He expects to be a member of the special House committee to be formed early next year to investigate the affair.

The threat which the Iran controversy poses to President Reagan's credibility was underscored yesterday by a CBS/New York Times poll which showed that 47 per cent of Americans believe the President is "lying" when he says that he did not know money was being diverted from the Iran arms sales to the Contra rebels seeking to overthrow the Sandinista Government in Nicaragua.

Significantly the poll also showed no sign that President Reagan's approval rating has recovered after slumping an unprecedented 21 points last month after the Iran affair became public. The poll suggests that 47 per cent of Americans approve of the job he is doing compared with 46 per cent in November.

Republicans such as Senator Richard Lugar who are warning that the President is not moving swiftly enough or decisively enough in trying to combat the fallout from the Iran disclosures will not find the poll results reassuring.

Amid continuing calls from Sen Lugar for his resignation, Mr William Casey, the director of the Central Intelligence Agency was testifying on the final day of hearings by the House Foreign Affairs committee.

Congressman Gus Yatron said Mr Casey told the closed-door hearing

Continued on Page 24

Mitsui unit to buy Exxon's New York building

By Yoko Shibata in Tokyo

GROWING Japanese interest in investing in overseas property was confirmed yesterday when Mitsui Real Estate Development revealed that its US subsidiary, Mitsui Fudosan (New York), had bought the Exxon building in Manhattan for $610m.

The 54-storey building on Avenue of the Americas, between 49th and 50th streets, is owned jointly by Exxon, the world's largest oil company, and the Rockefeller Group. Mitsui outbid competitors, including several Japanese companies, in an auction held on November 20.

The Exxon building has a total floor space of some 212,500 sq m of which 195,800 sq m are rented. Prominent tenants include Morgan Stanley and Price Waterhouse. The building has been up for sale for some time but the vendors have been holding out for a better price.

The steep appreciation of the yen has cut US property prices by half in yen terms, spurring the interest of Japanese property companies, life insurers and other companies in acquiring the US buildings, which generate an annual investment yield of 6 to 7 per cent, compared with less than 2 per cent on such investment in Tokyo.

Forthcoming tax reform in the US, meanwhile, has put pressure on a large number of American companies to shift from illiquid assets such as property to financial assets by trying to sell buildings before the removal of preferential tax treatment for property investment.

Other recent Japan/US property deals have included the purchase of Arco Plaza in Los Angeles by Shuwa, a major Japanese property company, for $620m in August as well as American Broadcasting Company's headquarters in New York for $170m.

Daiichi Real Estate bought the Tiffany building on Fifth Avenue in Manhattan recently for $95m. In November, Daiichi Mutual Life Insurance bought the Crocker Center building in San Francisco for an estimated $130m-$140m.

Azabu, USA a medium-sized Tokyo retailer bought three hotels in Hawaii including the Hyatt Regency Waikiki for a total price of $270m in November.

Japanese commercial and trust banks have also been stepping up their efforts to be intermediaries in property transactions by providing information and extending loans for corporations.

Our Financial Staff add: Exxon said yesterday that it would receive a one-time fourth quarter gain of

Continued on Page 24

Deutsche Airbus to seek extra funding from Bonn Government

BY PETER BRUCE IN BONN

DEUTSCHE AIRBUS, the West German arm of the European Airbus consortium, has warned the Bonn Government that it faces serious financial difficulties next year because of the collapse of the dollar against the D-Mark, fierce price competition with Boeing and falling orders for the ageing Airbus A300 and A310 range of aircraft.

In a confidential letter to the Economics Ministry, the contents of which were leaked to a Munich newspaper and then confirmed by the company and the ministry, Deutsche Airbus says it will need extra funding from Bonn.

The newspaper report quoted the letter, saying that "the small number of machines from the old programme that we have managed to sell and the sharp reduction in prices due to price competition with Boeing in combination with the low dollar rate, no longer enables us to pay interest on accumulated credit, let alone repay the credit by the end of 1994 as it appeared possible – from today's standpoint too optimistically – at the beginning of 1985."

Deutsche Airbus, a subsidiary of MBB (Messerschmitt-Bolkow-Blohm) and the Economics Ministry were quick yesterday to deny suggestions that the company was on the brink of bankruptcy. The letter makes clear, however, that the West German Airbus partner is no longer able to remain within the DM 3.1bn ($1.53bn) guaranteed credit limit set by Bonn.

The Economics Ministry said Deutsche Airbus had so far taken up DM 2.7bn of that credit and said that because of the "significantly worsened situation" it expected an "additional burden" to be placed on the federal budget.

The ministry did not specify when, but it is understood that the 1988 budget would have to accommodate a significant new funding for Airbus.

The ministry insisted that it expected efforts to solve the problem to come from the manufacturer as well, and pointed out that the Cabinet had urged MBB in 1984 to raise new capital to help finance the programme.

The Government has been trying recently to persuade other West German companies to take a stake in Deutsche Airbus. This would, it hopes, help reduce federal involvement and blunt the US charge that the Airbus programme is unfairly subsidised.

Deutsche Airbus's problems, which are thought to reflect similar ones in the programme's French, British and Spanish participants, are partly due to the fact that its only revenues are being made on the A300 and A310. Deliveries of the newer, short-range, 150-seat A320, of which nearly 400 have been ordered, start in 1988.

Even more dangerous for Airbus, these current troubles have come as the consortium is pressing governments for subsidies and credit guarantees to help start development of a new long-range family of aircraft, the A330 and A340.

Mr Franz Josef Strauss, the Bavarian Prime Minister, who is also chairman of the entire Airbus board, wrote to the Economics Ministry earlier this year urging it to extend its credit guarantee to cover the A330 and A340.

CONTENTS

Dearer tobacco is Commission aim

BY TIM DICKSON IN BRUSSELS

PLANS TO force EEC member-states to raise their taxes and duties on cigarettes were announced in Brussels yesterday as part of a community campaign against cancer. Mr Manuel Marin, Spanish commissioner for social affairs and employment, indicated that the "battle against tobacco" would be a priority of the Ecu 40m (£40m) programme planned to start next year and culminating in 1989 with a special "European Year."

In particular, the European Commission hopes to persuade member-states to harmonise their taxes on tobacco in line with the highest levels currently applied in Community countries. At the moment, explained Mr Marin, these vary by a factor of 1 to 10 with Greece the most lenient in charging Ecu 0.26 for an average packet of 20 cigarettes and Denmark the most penal with an equivalent Ecu 2.76 tax.

This proposal—and others including the stopping of duty free sales of tobacco throughout the EEC, reducing tobacco production, and encouraging tobacco growers to switch to less "noxious" crops is expected to be put before the Council of Ministers in the second half of next year.

Mr Marin said yesterday that he felt finance ministers would respond enthusiastically to the new ideas, but was less forthcoming when asked how he might confront the inevitable political outcry from the tobacco industry.

Beside publicity and training the Commission sees a direct link between the EEC campaign and its responsibilities for the Common Agricultural Policy, the internal market and consumer and worker protection. European cancer specialists, it points out, believe that by uniting their efforts they could reduce the number of cancer deaths between now and the year 2000 by 15 per cent.

Other EEC initiatives will be the promotion of healthier foods, better protection for workers against radiation and carcinogenic substances, and the establishment of a "European code against cancer" made up of "ten commandments." Of the estimated Ecu 40m earmarked for the whole programme, Ecu 11m will be devoted to co-ordinating medical research into cancer.

Questions raised over directive on TV

BY RAYMOND SNODDY IN VIENNA

QUESTIONS over the future of the European Commission's draft directive on television were raised in Vienna yesterday when the Council of Europe decided unanimously to draw up a legally binding convention on trans-border television.

The 12 media and broadcasting ministers accepted a British proposal that the Council, best known for its work on human rights, should rapidly draw up a legally binding document on satellite broadcasting.

The 12 nations are to submit their ideas on the content of an agreement by February 1, and in March officials are expected to draw up the outline of a draft convention.

"I think that the draft directive, if it is to succeed, will have to confine itself very tightly to areas of EEC competence such as commercial and technical rather than cultural matters," Mr David Mellor, UK Home Office Minister Responsible for Broadcasting, said at the close of the conference.

"This conference marks a watershed in the development of trans-frontier broadcasting in Europe," Mr Mellor added.

Britain played a leading role at the conference in arguing that the Council of Europe was a more appropriate body to provide an international legal framework for the future of European broadcasting than the EEC.

But the British move was supported by other EEC members including France, Denmark, West Germany and the Netherlands.

Britain achieved what it had been seeking at Vienna: moves towards a legal framework covering programme and advertising standards, sponsorship and copyright.

Opposition has been growing to the EEC approach: imposed quotas on the proportion of EEC-made programmes that must be shown and the amount of independent production used.

Mr Mellor said that the Vienna agreement meant that no government anywhere in Europe would try to block the opportunities offered by new technology

"No government is trying to protect its citizens from receiving a wider choice," Mr Mellor added. But the international framework would now be based on existing domestic rules.

The European ministers also pledged action to step up the production of European films and television programmes and encourage investment in Europe's film and television industries.

The measures advocated include:

● International investment flows, possibly through a private European stock-exchange for media companies;

● Public and private schemes to help programme makers and;

● Fiscal measures to encourage the investment of private savings in programme production.

Italian talks on steel sell-off

By John Wyles in Rome

A FRESH MOVE towards restructuring and privatising the Italian steel industry has been signalled by informal talks on selling the state-owned Deltasider steels group to a private consortium.

The prospective purchasers belong to the same Cogea group headed by Mr Luigi Lucchini, one of the largest Italian private steel operators, which took a controlling stake in the Cornigliano complex in Genoa last July.

This has been the largest privatisation so far in Italian steel and it saved about 1,000 of 5,500 jobs at the plant which were otherwise threatened by full closure.

Detailed informal discussions have apparently been under way for some time between Mr Lucchini and the management of Finsider, the state steel holding company. The news has now been leaked so as to gauge the political and union reaction before embarking on formal negotiations.

Ministers have not yet taken a view, but the unions are lining up in opposition, partly because of the apparent intention to break up Deltasider once it is privatised.

Cogea does not want to keep all of Deltasider's 10 plants and is particularly interested in keeping those that complement the Cornigliano purchase. In particular, it is attracted by the "fit" between the rolling of billets and blooms at Cornigliano and the finishing capacity at Deltasider.

It is reportedly envisaged that Falck, the largest private Italian steelmaker, could take one or more Deltasider factories, while others would be sold on to an unidentified group based in the Veneto region.

With 13,500 employees and a turnover of L1,506bn (£758m), Deltasider represents about 16 per cent of Finsider's employment and sales. Transferring it to the private sector will be presented as further tidying up the demarcation between the public sector, which specialises predominantly in flat rolled products and private manufacturers concentrating on long products.

● The port of Genoa, nearing the end of a two-year modernisation programme, was paralysed yesterday as thousands of workers in the Communist-influenced dock employees' co-operative went on strike, writes Alan Friedman in Milan.

The workers are opposing management and working schemes designed to update the handling of container ships. The new methods would lead to smaller gangs on the docks and more automation.

Shultz attempts to calm Europe's fears on US policy

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR GEORGE SHULTZ, the US Secretary of State, will today try to reassure his country's European allies in Nato that the fundamental foreign and defence policies of the US have not been affected by the failure of the super power summit in Reykjavik and the row over arms sales to Iran.

On his way to Brussels from London for the end-of-year Nato foreign ministers' meeting, Mr Shultz said he had raised the Iran affair with Sir Geoffrey Howe, the British Foreign Secretary, and the West German and French Foreign Ministers, Mr Hans-Dietrich Genscher and Mr Jean-Bernard Raimond.

Mr Shultz said he had told his European colleagues at their meeting in London last Tuesday that the Iranian arms affair could not be compared with the Watergate scandal, when there was a reluctance to inform the public of the facts.

"In the Iranian case there is the desire of President Reagan to see that everything comes out," he said.

One of the main issues on which Washington's allies will want to have further assurances is the US's continued commitment to Europe's nuclear defence.

European governments were particularly upset by Mr Reagan's apparent willingness in his talks in Reykjavik with Mr Mikhail Gorbachev to do a deal under which both sides' strategic nuclear missiles would have been scrapped within 10 years.

President Reagan subsequently clarified his position during bilateral talks last month with Mrs Margaret Thatcher, the British Prime Minister, at Camp David. The basic arms control negotiating position agreed on at that meeting was a cut of no more than 50 per cent in US and Soviet strategic offensive missiles over five years, coupled with an agreement on the elimination of medium-range nuclear weapons in Europe and a ban on chemical weapons.

The US and British leaders also agreed that nuclear weapons could not be dealt with in isolation, given the vast superiority of the Soviet Union and its allies in conventional forces.

A special Nato "task force" has drawn up a report, to be submitted to the foreign ministers at their current meeting, which proposes that new talks on conventional arms reductions in Europe should take place under the overall umbrella of the 35-nation Conference on Security and Co-operation in Europe (CSCE).

To accommodate France, which is not a member of Nato's integrated military structure and is opposed to bloc-to-bloc negotiations with the Warsaw Pact, a formula has been devised under which the existing Stockholm disarmament conference would be divided into two groups.

The main group of 35 nations, including neutral and non-aligned European states, would continue its work in the field of military confidence building measures. A second sub-group, composed of the 23 Nato and Warsaw Pact countries would become a forum for negotiating conventional troop reductions from the Atlantic to the Urals, as proposed by Mr Gorbachev earlier this year. However, it would have to report back to the umbrella group.

It is not yet clear whether the creation of the new framework negotiations would result in the demise of the 13-year-old Vienna-based mutual and balanced force reduction talks (MBFR), which have long been stalled.

Mr Mikhail Gorbachev said yesterday that the Soviet Union would continue to observe the Salt-2 arms limitation treaty and its unilateral moratorium on nuclear tests if the US responded in kind, Reuter reports from Moscow.

Thousands in Paris march for student

By Our Paris Correspondent

CARRYING armbands that bore the simple slogan "never that again," thousands of students marched through Paris yesterday in silent tribute to the young Frenchman of Algerian origin killed over the weekend and in protest at police violence.

The organisers claimed that about 500,000 took part in the demonstration, though the Paris authorities put the number at 130,000. Trades unionists—and in particular members of the Communist-led CGT union—as well as parents joined the march.

Almost no police were to be seen as the long column wound its way from Denfert-Rochereau across the Seine to the Place de la Nation.

The column was headed by relatives of those injured in the demonstrations and by a large wreath: Malik Oussekine, the student, who died after being bit by truncheon blows. Across the wreath, the students had written "Murdered by the CRS" (the riot police).

The demonstration is expected to bring to an end the student protest movement which began against the Government's new university legislation and finally forced a major climbdown by Mr Chirac's administration.

The students co-ordinating committee is to meet again today to decide what further action to pursue — if any.

The march coincided with a stormy session of the National Assembly where both Mr Charles Pasqua, the Minister of the Interior, and Mr Jacques Chirac, the Prime Minister, were attacked by the Socialist opposition over the police violence. Mr Pasqua accused parts of the press of misrepresenting the police's behaviour.

The demonstration in Paris was also accompanied by other large marches in provincial cities

Eureka finance appeal

By David Marsh in Bonn

THE EUROPEAN Eureka technology programme had built up "enormous tempo" since its French-inspired birth last year, Mr Heinz Riesenhuber, the West German Research Minister, said yesterday. But be pointedly refused to say how much money the Bonn Government would be prepared to inject into it in coming years. It was up to private industry, banks and venture capitalists to supply the finance in order to "emancipate" Eureka gradually from state funding, he said.

Speaking in advance of the next ministerial conference of the 19 Eureka participating countries in Stockholm on December 17, Mr Riesenhuber said his ministry had committed DM 518m (£182m) to back already-agreed Eureka projects over the next eight years.

Eureka already encompasses 72 co-operative technology projects drawn up by European companies and research institutes to develop products and processes in areas ranging from microelectronics and biotechnology to traffic safety and environmental protection.

A further 40 to 50 projects would be formally added to the Eureka list in Stockholm, Mr Riesenhuber said.

The financing sum set aside for the total Eureka projects, from both state and private resources, was about DM 6bn, Mr Riesenhuber said. West Germany is involved in 20 projects so far, with another 11 likely to be added at the Stockholm meeting.

The minister said he did not want to name any figure for his Government's annual Eureka funding in coming years for fear of tying his hands in negotiations with industry. He also voiced some irritation at the slow progress of bringing in European bankers to back Eureka. Deutsche Bank, West Germany's biggest banks, had declared an interest in co-ordinating efforts to win private venture capital for the programme, he said, but the progresses "had not gone as quickly as I would have liked."

On the question of whether technologies derived from Eureka might be used for military as well as civil purposes, Mr Riesenhuber said such "spin-offs" could not be exclnded. Althongb the criterion for selection of projects was their merit for developing market-related civilian applications, he said he would have no "fear of contact" between military and civil usee of Eureka.

Opec faces uphill climb to $18

BY RICHARD JOHNS

THE ORGANISATION of Petroleum Exporting Countries starts deliberating today on how the level can be raised to $18. The Opec consensus favours the target laid down by King Fahd of Saudi Arabia and endorsed last month by the ministerial committee on pricing.

Indeed, all members have an obvious common interest in improving and maximising per barrel revenue following the drastic losses suffered as a result of the muddle decision here at the end of 1985 to give primacy to recovering market share.

Yet, as delegates assembled here, it was evident that scepticism about the possibility of achieving the objective of a $4 to $5 increase per barrel is almost as strong within the organisation as it is in the market. Moreover, doubts were also being privately voiced about the feasibility of returning in the foreseeable future to a system of fixed prices upon which King Fahd appears to be equally adamant.

Opec's own economic experts are understood to have concluded that a cut in collective output of 700,000-1m barrels a day from the ceiling of 17m-17.2m b/d or so would probably be required to lift prices to around $18. In practice, however, it must be regarded as about the minimum that members can live with.

The ceiling is more or less observed but only because of a shortfall in the exports of Iran and Iraq. Saudi Arabia has been the main violator of its quota, with Kuwait and the United Arab Emirates also reported to in excess of theirs. Recently the Kingdom has been sustaining an output rate of about 5.5m b/d compared with an agreed entitlement of 4.353m b/d, according to industry observers.

Of the Saudi total, 400,000 b/d has been going into storage and would not be considered part of its production under the generally accepted definition. Much more controversial are the 200,000 b/d sold as "war relief" crude on behalf of Iraq and 100,000 b/d supplied to Bahrain's refinery—which Riyadh refuses to recognise as part of the country's quota but other members do.

Mr Hisham Nazer, acting successor to Sheikh Ahmed Zaki Yamani, made it abundantly clear last month that under no circumstances would Saudi Arabia revert to its traditional role of "swing producer" individually any more than Opec as a whole is prepared to collectively.

Possibly more out of loyalty to an ally rather than out of real conviction Sheikh Ali Khalifa al Sabah, Kuwait's Minister of Oil, has publicly asserted that $18 can be achieved without a production cut.

Other chief delegates like Dr Subroto of Indonesia and Mr Rilwanu Lukman of Nigeria have indicated that they favour a more gradualistic approach towards the target. Iran, Algeria and Libya—the three price maximalists—have insisted on a production cut as necessary for reaching the goal.

The pricing committee has recommended that the $18 reference should be based on a basket of seven light crudes. Keeping them properly in line will not prove simple. Far more intractable will be the challenge of setting the right differentials for other varieties in such a way that some members are not put at a disadvantage.

Dublin gives go-ahead for TV satellite venture

BY HUGH CARNEGY IN DUBLIN

THE IRISH Government confirmed last night that it was awarding a licence to provide an Irish satellite network to Atlantic Satellite, a company 80 per cent owned by Hughes Communications of the US.

The decision allows Atlantic to go ahead with its plans to launch a satellite, probably in 1990, providing direct broadcast services to Ireland and the UK, and telecommunication services reaching across Europe.

A spokesman for the company said its hardware would be available for use by the winner of the British Independent Broadcasting Authority's franchise to provide three DBS channels in the UK.

Swiss MPs vote down woman

By William Dullforce in Geneva

SWISS political conservatism prevailed yesterday when Parliament rejected by handsome majorities an attempt by feminists and environmentalists to place a second woman on the seven-member Federal Council (government).

At a joint session, the upper and lower houses elected Mr Arnold Koller (53) and Mr Flavio Cotti (47) to the Confederation's governing body. Both Christian Democrats, they replace their retiring party colleagues, Mr Kurt Furgler, the long-serving Economy Minister, and Mr Alphons Egli, the Interior Minister.

Switzerland has been governed for 26 years by a four-party coalition, which divides the Council between two Christian Democrats, two Radical Democrats, two Socialists and one member of the centrist Swiss People's Party.

Supporters of Mrs Judith Stamm, also a Christian Democrat, argued that, by choosing Mr Koller and Mr Cotti, Parliament would be reinforcing the backward-looking, conformist nature of the Council. A professor of commercial and European law at St Gallen University, Mr Koller beat Mrs Stamm by 180 to 49 votes in the first election. Mr Cotti, a lawyer and professional politician, won the second post by 163 votes against 43 for Mrs Stamm.

Their election highlights some peculiarities of the Swiss political system. Mr Koller represents Appenzell, the smallest canton from the conservative heart of German-speaking Switzerland. It has still not given women the vote (although Mr Koller would do so).

canton, the Italian-speaking minority is represented on the Council for the first time in 13 years.

It is not certain that the two new ministers will take over their predecessors' portfolios. In the redistribution due on December 19 the longest-serving councillors by tradition have first choice.

Mr Pierre Aubert, the Foreign Minister, was yesterday elected President of the Confederation for 1987 with Mr Otto Stich, the Finance Minister, as Vice-President.

Diana Smith reports on a costly public sector which cannot be tackled before the constitution is reviewed

Portugal marks time with a loss-making legacy

THE National Petrochemical Corporation (CNP) was meant to be proof that Portugal had moved into the age of high tech and industry on a large scale. Instead, it has rapidly become a burden on the state and the taxpayer and is now under closure orders from tha Government.

CNP started up three years behind schedule with huge teething troubles. Tha price of its raw materials soared with the two oil shocks and the expected market never materialised. CNP now has an accumulated debt of $1bn, and is an extrema exampla of Portugal's loss-making public sector.

Mr Santos Martins, Industry and Energy Minister, described the sector recently as "a lumbering mess." He is the latest in a decade-long line of industry ministers to tackle the legacy of the 1975 Communist-inspired revolution, a public sector whose losses have spawned a public debt now topping Es 3.3 trillion (million million) (£14.75bn)—nearly 70 ner cent of gross domestic product.

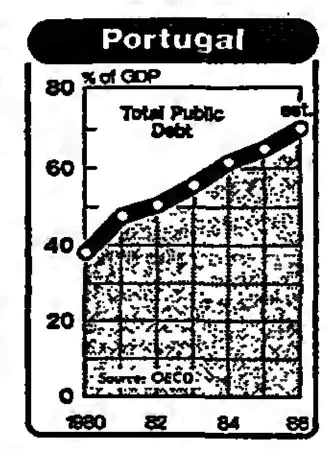
He belongs to a government that has made public sector reforms a battle-cry, but cannot start the fight until the 1976 Marxist-inspired constitution is purged of content that sanctifies nationalisations—"conquests of the revolution."

Constitutional review is due in 1987 or 1988. The socialists—the largest opposition party—are now prepared to erase "conquests" from the constitutional text, but until the review the administration can do little more than make plans, dish out subsidies and dream of less-indebted days.

This year tha public sector is expected to lose Es 50bn, similar to last year's equally huge loss.

Companies like Tabaqueira, tha tobacco monopoly, under aggressive management make solid profits and diversify by acquiring fruit juice companies. But most of the public sector moves at a pace that ranges from a slight limp to an aching crawl over the hostile terrain of debt, unwise past investments, overmanning and under-productivity and the after effects of early years of strikes.

The worst case is CNP, which the Government is winding down against heated protests from works committees and



Opposition efforts to suspend the decree-law declaring the 18-month winddown.

Some nationalised companies are already the target of reform programmes while others may no longer be justifiable as public sector bodies when the constitution changes.

The beer breweries, for instance, appear to have no rationale as a public sector body—beer is neither essential nor strategic, and few people would be surprised if sooner or later the Portuguese were drinking beer brewed by private sector enterprises.

In a troubled area like shipbuilding and ship repairing, with two major yards, Setenave and Lisnave, vying for scarce business while running punishing losses, the state knows there are few buyers available. Efforts to rationalise the yards have begun: from a high of 11,000 and 6,000 employees respectively, Lisnave and Setenave are now down to 4,500 and 2,000 each, but major questions remain.

Setenave was born in the early 1970s to build super-tankers that nevar materialised. The trickle of orders for vessels of less than 70,000 dwt has meant heavy losses. It has a few orders that will keep it working until 1990 and limps along in hopes of a better market.

Petrogal, the oil corporation, is being nursed into a new era. From 1992, under EEC regulations, it must accept free competition, forfeiting product quotas that have protected until now a market shared lopsidedly with Shell, Mobil and BP.

A strong borrower abroad, Petrogal has suffered from the debts of public-sector companies to which it supplied oil derivatives: its dilemma epitomises the vicious circle on which the 11-year-old public sector has run.

Th giant of public corporations, EDP—Electricidade de Portugal—described by a banker as "that ever-open hand in which we constantly place money," is considered essential—a major investor in new sources, hydroelectric and thermal, but unwieldy to manage and hurt by bad debts.

Under the Cavaco Silva Government EDP has begun to get tough with chronic non-payers and cut off supplies to some manufacturers. On the Portuguese scale, EDP is a mammoth in danger of becoming a monolith. The proposed solution is to regionalise its administration, creating several electricity generating boards that can collect bills more efficiently and make progress with reduction of a customer debt exceeding Es250bn.

The large Quimigal corporation, which makes everything from basic chemicals and fertilisers to domestic textiles, is also working on an economic rationalisation programme. It has consolidated much of its large dabt and sloughed off unrealistic projects and investments, such as the pelletising of pyrites and a fibreglass plant.

There are plans to turn Quimigal into a holding company, reducing its workforce so that by 1990 it will have lost about 2,000 jobs.

Wherever possible, attempts are being made to rationalise public sector companies so that when the constitution is reviewed, it will be easier to tackle the sector in an organised fashion.

The financing needs of the Portuguese state and large annual budget deficits — Esc 150bn in the early 1980s, over Esc 400bn in 1986, have devoured money sorely needed to improve living standards, modernise industry and create productive and profitable jobs.

The Portuguese economy looks healthier in 1986 thanks to an external account that has moved from a deficit of $3.2bn in 1982 to a surplus of possibly $2bn this year, but it suffers fro mtha drain of a public sector that constituted 53 per cent of gross fixed capital formation when it was created in 1975 but has never been able to generate profits, productivity or a new industrial lynamic.

Dissidents attack ban on Kennedy

TWO POLISH dissidents who had hoped to meet Senator Edward Kennedy of the US in Warsaw this month yesterday sharply criticised the Government's refusal to allow him into the country, AP reports from Warsaw.

In a joint statement, Mr Adam Michnik and Mr Zbigniew Bujak alleged that the Government of Gen Wojciech Jaruzelski had placed conditions on Mr Kennedy's visit that were impossible for the Senator to accept.

"It is all the more outrageous that neither the racist Government of South Africa nor the military regime of (Chilean leader) Gen (Augusto) Pinochet imposed such conditions on him," they said.

Mr Kennedy has made trips to South Africa and Chile in which he met government opponents.

Howe warns against new import barriers

BY QUENTIN PEEL IN STRASBOURG

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday warned against EEC protectionism being raised to defend against US farm exports, on the eve of a new round of farm trade talks between the two sides.

He also spelt out the danger of trade wars between the US and EEC spilling over into a deterioration in political relations. "The economic problems that we seek to resolve, if we do not resolve them, threaten the political coherence that we also need," he told the European Parliament.

He said that 16 per cent of EEC agricultural exports go to the US, and could be vulnerable to retaliation if the Comunity sought to restrict US farm sales. "The Community is the world's second largest agricultural exporter. How could we expect others to go on buying from us if we stopped buying from them?"

On the current negotiations with the US about possible compensation for the loss of grain sales to Spain, he insisted that Washington had "strongly supported Spanish and Portuguese accession" to the EEC. He said the Community was the largest market for US farm produce: 23 per cent of US exports go to the EEC, worth $6.7bn in 1986 – per cent more than the value of European exports to the US.

"We have got to find a solution before the end of the year," Sir Geoffrey said. "Neither side can afford to fail."

German shipyard chairman quits

MR KLAUS AHLERS resigned yesterday as chairman of Howaldtswerke-Deutsche Werft (HDW), the big West German shipyard that played a central role in the apparently illegal sale of submarine blueprints to South Africa about two years ago, reports Peter Bruce in Bonn.

HDW's owners, the state-owned Salzgitter engineering group, said Mr Ahlers' decision had nothing to do with the growing scandal over the passing of blueprints for the yard's U209-type submarine to the South Africans. Mr Ahlers' departure had been planned for a long time, Salzgitter said.

The timing of the departure will nevertheless unsettle the Government, which is facing the prospect of a full parliamentary inquiry into the matter starting before the general elections on January 25.

Turkey sets date for application

BY DAVID BARCHARD IN ANKARA

MR TURGUT OZAL, Turkey's Prime Minister, yesterday renewed his war of nerves with the European Community by announcing that Turkey would make an application for full EEC membership in the course of 1987.

Mr Ozal, who was speaking during the budget debate, told opposition deputies that the Government was not willing to say precisely when the application would be made.

Turkey first announced its intention to make an application for full EEC membership in 1980.

In recent weeks, the Government has been trying unsuccessfully to bargain with the European Community on the issue, offering to postpone what the Turks regard as a treaty right to the free migration of Turkish labour in the EEC in exchange for increased aid and acceptance of the principle of Turkish membership at an early date.

EEC officials and Western diplomats, however, appear to be united in urging Turkey to postpone its application until the early years of the next century.

Turkey's claim that it should already be enjoying the right to the free circulation of its workers in Europe has met with a rebuff.

Several test cases are expected to get underway in the courts of EEC countries including Britain and West Germany, after workers demanding the right to enter in search of work were turned back by immigration officials.

Turkish parliamentarians privately say that if Turkey continues to be rebuffed by the EEC there could be a change in its foreign policy, linking it more closely with the Islamic world.

● Turkey has warned the US that it wants to sign a defence and economic co-operation agreement for only a two-year period rather than for five years as in the past, a Foreign Ministry spokesman in Ankara said.

He was speaking as talks got under way in Ankara between the Turkish Government and an American delegation headed by Mr Richard Perle, the US Deputy Secretary of Defence.

Turkey and the US have been deadlocked over a new defence and economic co-operation agreement for nearly 15 months, but in recent weeks it has looked as if agreement could be close.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R. A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

AMERICAN NEWS

Reagan's health initiative hit by conservatives

BY NANCY DUNNE IN WASHINGTON

REAGAN ADMINISTRATION officials, wrestling with rising costs of health care, are debating two proposals which would limit US government health assistance to the elderly and expand the programme to insure against catastrophic illnesses.

In a rare domestic initiative, President Reagan, in his most recent state of the union message, asked Dr Otis Bowen, the Secretary of Health and Human Services, to make recommendations by the end of the year on how to provide "affordable insurance for those whose life savings would otherwise be threatened when catastrophic illnesses strike."

Those recommendations have now been delivered and are under attack by conservatives within the Administration.

Dr Bowen proposed that Medicare, which helps pay for health care for those over 65, should pay patients' medical costs above $2,000 (£1,410) a year, in exchange for payment of a $59 premium per year. He also suggested tax incentives to encourage the purchase of private insurance for catastrophic illnesses.

The scheme has been denounced by Mr Beryl Sprinkel, chairman of the Council of Economic Advisers, on grounds of its potential cost and because it is "inconsistent with the Administration's policies to strengthen competitive markets, to restrain the growth of Federal spending and to use private sector solutions whenever possible."

Dr Bowen still hopes to have his programme included in the 1988 budget. However, he has gone on the offensive against a cost-cutting proposal by the Office of Management and Budget, which would pay doctors treating hospitalised Medicare patients a single, pre-determined amount

Budget officials project savings of $500m next year from the $75bn Medicare programme. Dr Bowen, taking the same line as his critics, complains that a doctor-payment system is opposed to a free market.

Supreme Court rules on mergers

By James Buchan in New York

THE US Supreme Court, in a potentially important anti-trust ruling, has made it harder for companies to use the courts to block mergers by their competitors.

The court in Washington has ruled, by six ta two, that a company was not entitled to challenge a merger merely an the ground that it faced "losses from increased competition," but must show a real threat to competition ef the type "the anti-trust laws were designed ta prevent."

The ruling clears the way for a large merger in the US beef packing industry. Monfart of Colorado, the country's fifth-largest beef packer, had won two court judgments to htock an agreement of June 1983 for Excel to acquire Spencer Beef.

Monfort had argued that the merger would threaten competition because the merged business might use predatory pricing

However, the Supreme Court did not go quite as far as the Justice Department had asked.

The department had urged the court to deny competitors any standing to challenge acquisitions for fear of below-cost pricing, which the department believes occurs rarely.

David Gardner reports on the first four months of President Barco's Government

Colombia goes adrift in new political era

PRESIDENT Virgilio Barco's Liberal Party administratien, Colombia's first aingle-party Government after a generation of coalition rule by Liberals and Conservatives, has spent the first four menths of its feur-year term in a state of drift.

The Liberals' launch inte the uncharted waters of conventional government-versus-opposition politics leoks to bave been dangerously improvised, particularly since the coalition aystem it is replacing was designed to end probably the worst cycle of civil warfare seen in Latin America.

Furthermore, in a system where people, not policies, command public attention, Mr Barco is perceived to spend more time in the engine room than on the bridge, oblivious, say critics from both major parties, to the hazards ahead.

This ill-prepared entry into a political era has produeed among its early consequenees:

- Withdrawal from Congress by the Conservative Party and the small left parties, which are making an inauspicions parliamentary debut after three deeades fighting in Colombia's mountains and plains.
- The consequent paralysis of Mr Barco's ambitious, if vague, programme for agrarian, urban, tax and civil service reform.
- The fragmentation of the Liberal Party, aa its notables jostle to fill the leadership vacuum and its regional bosses stampede after jobs made available by the Conservative's withdrawal from office.
- An upsurge in already high levels of violence.

Set against this is Colombia's formidable record of muddling through and the attachment of the country's ruling elites to its institutions and laws, despite the surrounding lawlessness.

The Conservative Party, moreover, led by former presidents Misael Pastrana and Belisario Betancur, who left office in August, has nothing to gain by colluding in allowing the country to become ungovernable.

Forced into what its leaders call "reflective opposition" by the Liberals' landslide election victory and Mr Barco's decision to follow a party programme, the Censervatives are feeling their way hy trial and error.

Conservative MPs last week returned to Congress, but with the intention of boycotting Mr Fernando Cepeda, the Interior Minister, whose refusal to take opposition questions had provoked the Conservative walk-out.

Neither side apears to have anticipated the speed with which tbe old Frente Nacional (National Front) coalltion would collapse. They have, therefore, not thought through their new roles and Mr Barco, a retiring technocrat with little political projection, bas not yet proved himself a guide to the new system.

"Barco does not want to be the leader of his party but to manage a series of projects," says Mr Alfredo Vazquez Carrizosa, a former Conservative foreign minister, who also says his own party is far from presenting an alternative.

Virgilio Barco

Nobody is clear how the new system should work. At the moment, it serves chiefly to throw into sharp relief the vices of the old one.

Even before Mr Barco took office, a vigorous press campaign forced him to drop his first choice Interior Minister, Mr Eduardo Mestre, a Liberal Party baron alleged to have links with Colombia's cocaine mafia.

Mr Barco was lifted into power by an aggregate of Liberal regional bosses with tenuous national loyalties to former president Turbay Ayala.

This party structure—centrifugal, sub-tribal, and based on patronage—had to be reflected in the new share-ont of responsibilities, and within Mr Barcos inner core of advisers. Most of these are technocrats like himself, drawn from the Massachussetts Institute of Technology and the local University of the Andes.

The result is a mess. The Agriculture Minister has already resigned. One official claims this was because of lack of access to the president and a major resuffle is thought inevitable.

"Fer there to be gevernment by party you need a party, and what we have bere is an archipelago devoted to clientelist madness," says ene former president.

He and ethers warn that rural Colombia is still soaked in the seetarian traditions of 19th century violence. But Mr Barco must also deal with immediate violence.

The left in Parliament, the Patriotic Union (UP) wbich detached fgrom the biggest guerrilla faction after President Betancur's peace initiative, withdrew from parliament because paramilitary death squads, widely assumed to have links with military officers, bave murdered over 300 of their cadre. The victims included a senator, two congressmen and 20 town councillors. As the assassination campaign continues, the risk grows that the UP will rejoin their 6,000 guerrilla comrades and resume fighting.

President Barco bas nct yet revealed how he plans to continne the peace process or check the power of the drugs traffickers, who had bought their way into industry, finance and politics before they incurred Mr Betancur's wrath by murdering his justice minister.

Hope is being placed, however, on Colombia'a first ever municipal elections in March 1988, a part of the Betancur peace process.

US trade deficit rises to record $37.67bn

THE US trade deficit on a halance of payments basis rose to a record $37.67bn (£26.5bn) in the three months to September 30, Reuter reports from Washington.

The increase shown in Commerce Department figures released yesterday compares with a shortfall of $35.67bn in the previous three months. It adds to evidence that the US continues to have a serious trade problem.

The balance of payments trade figures exclude military trade and other factors such as the cost of insurance and shipping.

The Government released the overall trade figure for October late last menth, showing a reduction in the deficit to $12.1bn from $12.6bn in September.

The trade deficit picture has been closely watched by the Reagan Administration and US trading partners because of the large federal budget deficit.

The White House, earlier this week, unveiled its outlook for next year showing some continued economie expansion although at a lesser rate then predicted in the past.

The Administration said the forecast was based on a reduction in the trade deficit due to a lowering of the dollar's value and some upswing in industrial investment.

At the same time, consumers are expected to cut their spending slightly next year, according to the Administration, partly because goods from overseas are costing more as a result of the dollar's fall.

The Commerce Department said non-oil imports in the three months to Sentember 30 were up $2bn, with the largest increase shown in cars.

US investigates Israel arms link with S. Africa

By Andrew Whitley in Jerusalem

ISRAEL could face difficulties with the US Congress over its arms exports, after an Israeli newspaper report yesterday that the country is behind recent weapon shipments te the South African backed Unita rebels in Angola.

Under the sanctions legislation recently passed by Congress, US military aid to any country supplying weapons to South Africa will be cut off by next October, if Pretoria does not make "significant progress" towards dismantling apartheid.

Military links between Israel and South Africa are well established, alegedly extending to co-operation in testing nnclear weapons. Under the new anti-sanctions legislation, that link puts at risk an annual grant from the US of $1.8bn, crucial to Israel's defence programme.

According to yesterday's Ha'aretz newspaper, both the State Department end a Senate sub eommittee are looking into possihle recent Israeli shipments of arms and spare parts, in breach of the sanctions law.

Some of those weapons, Ha'aretz said, were destined for Mr Jonas Savimhl's Unita rebels in Angola.

Senator Edward Kennedy, who began a visit to Israel on Tuesday, has raised the suhject of South Africa with Israeli leaders, an alde confirmed yesterday.

Baker to meet Europe finance ministers

By Our Foreign Staff

MR JAMES BAKER, the US Treasury Secretary is ta hold bilateral meetings with European finance ministers later this week, US administration officials said yesterday.

Mr Baker, who is taking part with leading Reagan Administration officials in regular talks between US and EEC officials in Brussels on Friday, will meet the British, West German, French and Italian finance ministers far separate talks in their respective countries.

"He decided that since he was going ta be in Europe anyway, he might as well have the meetings with his counterparts," a Treasury spokesman in Washington said. "He'll be doing a lot of hopping around."

In London it was confirmed that Mr Baker wauld meet Mr Nigel Lawson, the Chancellor of the Exchequer, in London at the weekend.

UK Treasury officials said they expected Mr Baker to warn of the growing dangers of protectionism when the Democratic-controlled Congress starts work in January.

In Bonn, the West German Finance Ministry said Mr Baker would hold informal talks with Mr Gerhard Stoltenberg, the Finance Minister.

The talks eome as the US continues to seek agreement from Bonn to lower interest rates similar to the accord reached with Japan in October.

Brazil outlines plan for social pact with industry

BY IVO DAWNAY

THE BRAZILIAN Government yesterday outlined plans for a social pact, which would give industry and labour a role in formulating policy on prices and salaries.

Behind the scheme is an effert to reduce the industrial disruption and political unrest that bas escalated aince the Government's post-election fiscal package last month enforced substantial price and tariff risea en many products and services.

Tomorrow, Brazil's two main trade union confederations are expecting hundreds of thousands of workers to join a 24-heur strike in protest at the package and against the high rate of remittances abroard to service the country's $107bn (£75.4bn) foreign debt.

President Jose Sarney has entrusted Mr Almir Pazzianotto, the Labour Minister, with the task of creating a tripartite ferum—provisionally dubbed the Economie and Socisl Council—bringing together unions and business under the Government'a chairmanship.

Topics for discussion are likely to include forming a consumer price index excluding luxury items, wages policy, price rises for goods and pnblie services.

While the proposals are expected to be welcomed by moderate labour organisations as a channel for influencing the Government, some of the business community is likely to be sceptical.

Not least among the criticisms is the fear that the time taken to create the institution will delay decisions on the adjustment package, much of which remains unclear. Industry has complained that the lack of a coherent Government strategy on fiscal and economic policy is bolding up investment planning.

Iran charges British businessman held for a year with spying

BY OUR MIDDLE EAST STAFF

IRAN HAS accused Mr Roger Cooper, the British businessman held in Iran for the past year, of spying. Mr Mir-Hossein Mousavi, the Prime Minister, said yesterday that details of Mr Cooper's alleged activities would be issued soon.

The British Government complained to Iran on Monday about Mr Cooper's detention without charge. It said that it was its longest-running case anywhere in the world where access to a national had been denied to British consular officials.

Mr Tim Eggar, the junior minister at the Foreign Office, called in Mr Akhondzade Basti, the Iranian charge d'affaires, on warn that relations between the two countries could be damaged if Mr Cooper wes not released.

Iran countered yesterday hy claiming that raising the case of Mr Cooper was nothing more than a British ploy. Mr Mousavi compared Britain's complaint with that of recent American efforts to improve relations with "moderates" in Iran.

"Britain now finds itself in the same position as the US, therefore the British authorities have set the resolution of the problem of one of their nationals as the pre-condition for upgrading relations," said Mr Mousavi.

"But it is clear how spies should be treated. And so is our decision to avoid expanding our relations with that country."

For the past two years Britain and Iran have intermittently discussed the issue of resuming full diplomatic relations which were broken off in late 1979 following the seizure of hostages at the US embassy in Tehran. Iran has always insisted that Britain should apologise for its action before ambassadors could be exchanged.

Britain does, however, maintain a strong diplomatic presence in Tehran although it has to operate as the British interests section of the Swedish embassy.

British officials and the Swedish ambassador in Iran have pressed the Iranian Foreign Ministry over the past 12 months to be given access to Mr Cooper, who is employed by McDermott International, the US offshore oil construction company, and has also worked as an advertising representative for the Financial Times.

During the initial part of his detention Mr Cooper is understood to have been closely questioned about his activities in Iran. However this did not lead to any suggeetions by the Iranian authorities that he was involved in espionage.

Yesterday was the first time that a senior member of the Government has made such an allegation against him.

Members of Mr Cooper's family in Britain had become increasingly frustrated at Iran's failure to make any statement about his future. A week ago they decided to seek greater publicity for his case, in an effort to put pressure on both the Iranian and British Governments.

The Foreign Office last night sought further clarification from the Iranian authorities about whether Mr Cooper had been formally charged with espionage. The Swedish ambassador in Tehran was also making representations.

Deal over documents likely to shorten MI5 trial

BY CHRIS SHERWELL IN SYDNEY

THE controversial MI5 spy memoirs case is set to reach a speedy and dramatic climax in Sydney next week following an unexpected compromise yesterday between the UK Government and Mr Peter Wright, a former British intelligence officer.

The breakthrough, in which Britain made key admissions concerning secret documents while preserving their overall confidentiality, rendered unnecessary a British appeal, scheduled for today, against a court order to hand them over.

The order had come from Mr Justice Philip Powell of the New South Wales Supreme Court, and the appeal threatened to delay resolution of the case. In its action, Britain is seeking to prevent Heinemann Australia publishing Mr Wright's memoirs.

For the defence, which maintains that Britain has already, in effect, authorised past publication of the material in Mr Wright's memoirs, yesterday's admissions threw further important light on the UK attitude to previous disclosures on the country's security services.

Britain, for its part, continues to fight the case principally on the basis that Mr Wright is in breach of his contract and of a life-long duty to maintain confidentiality — obligations Mr Wright disputes.

One immediate effect of yesterday's deal was to bring the taking of evidence to a prompt conclusion. This means Sir Robert Armstrong, the UK Cabinet Secretary and Britain's chief witness, is not obliged to testify again.

Mr Malcolm Turnbull, for Heinemann and Mr Wright, and Mr Theo Simos, for the British Government, will now start their final submissions on Monday. Once completed, the judge will retire to consider his verdict, which he could announce before Christmas.

Even then, however, the decision is likely to be appealed. The judge himself spoke of this yesterday as a "possibility, which could well be a probability."

Yesterday's compromise took the form of a statement of facts agreed between the two parties to the dispute. Among the more startling admissions from Britain were:

● The Government had a synopsis of the book Their Trade Is Treachery by Mr Chapman Pincher "on or a little before" December 15 1980. It was in the hands of the UK security and intelligence agencies, which thought there would be "no point in trying to encourage specific deletions or changes in the text."

This may be used by the defence to show that the Government acquiesced or authorised the book's publication. The book was the first to reveal that Sir Roger Hollis, the former MI5 director-general, had been investigated as a possible double-agent working for the Soviet Union.

The admission also appears to be at variance with the testimony of Sir Robert, who appeared in court several times over the past two weeks. When asked whether anyone in government service knew in late 1980 that Mr Pincher was writing his book, he replied: "Not to my knowledge."

Given yesterday's statement, this is seen as a remarkable admission from the chief official adviser to the Prime Minister on security and intelligence matters.

According to Sir Robert, he first became aware of the Pincher book in February 1981. Yesterday's statement says only that in February 1981 he learned that information in the book came from former MI5 and MI6 members.

● MI5 knew of Mr Wright's involvement in a proposed Granada television programme on May 4, 1984, and of an interview with him in which he would re-open the Hollis case on July 3, 1984 — both well before the actual screening on July 16, 1984.

Yet the possibility of restraining publication was apparently only discussed on July 16, and the view of MI5 was "That the best interests of the security service would be best served by not taking action. . . ."

This, too, is likely to be used by the defence to show official acquiescence in the programme. Interestingly, Mr Wright in his television interview 28 months ago detailed more of his arguments about Soviet penetration in Britain than he was allowed to do in open court in Sydney this week.

The compromise deal was the result of 48 hours of negotiation between the two sides following an offer from Mr Turnbull on Monday to narrow the basis on which he originally sought British confidential documents.

Britain responded by accepting the idea of making an admission of facts, and put a statement sanctioned by key British ministers before the defence yesterday morning. Final agreement on details was reached by lunchtime.

Zambia troops for Copperbelt

BY VICTOR MALLET IN NDOLA, ZAMBIA

SPORADIC rioting continued for a third day in Zambia's northern copper mining towns yesterday as the Government of President Kenneth Kaunda sent extra troops to the aree to deel with the violence, the worst in this part of the country since independence from Britain in 1964.

The unrest among the poor appears to have erupted spontaneously in response to sharp rises in the cost of living, in particular last week's doubling of the price of high-grade maize meal, a staple food.

At least 13 people, including e policeman, are reported to heve died in clashes between security forces and looters and rioters. Yesterday gunfire could still be heard in the industrial suburb near Ndola's airport.

Troops armed with semi-automatic rifles and bayonets patrolled Ndola city centre, searched vehicles at roadblocks and rounded up suspected looters. Hundreds of people are thought to have been arrested.

President Kaunda has declared a dusk to dawn curfew in the Copper Belt, whose mines earn 95 per cent of Zambia's foreign exchange, and the Government has closed the country's land borders to outgoing traffic.

Communication by telex and telephone was difficult in some areas and most businesses in the region were closed because of the disturbances, although the mines themselves were said by Zambia Consolidated Copper Mines to be unaffected. In addition the Kitwe, Ndola and Luanshya, the company has mines in Mufulira and Luanshya.

Boarded up shops, looted showrooms and shattered car windscreens bear witness to the violence, and outbreaks of rioting have continued despite the influx of soldiers.

In a typical incident in Ndola yesterday, a nurse driving e car was stopped by a group of youths and forced to hand over money after they clambered on her vehicle and banged rocks against the windows, shouting "money, money!"

Anti-Israel violence flares in Gaza Strip

ANTI-ISRAELI unrest flared again in the schools, hospitals and streets of the occupied Gaza Strip yesterday as relative calm returned to the West Bank after six days of violence sparked by the shooting of two Palestinian students, Reuter reports from Jerusalem.

Israeli troops shot and wounded a 16-year-old Palestinian schoolgirl as she attempted to enter a junior school to mobilise younger pupils for a demonstration, an army spokesman said.

Witnesses said troops fired into the air and used teargas to disperse hundreds of stone-throwing protesters at the Bureij refugee camp, where soldiers on Tuesday critically wounded another 16-year-old youth.

UN officials said there was widespread unrest in Gaza schools and soldiers fired in the air and used teargas against teenage pupils in several junior high schools. A spokesman for the United Nations Relief and Works Agency for Palestinian refugees, which runs schools, said: "Our installations have been violated repeatedly in Gaza."

About 140 Palestinian doctors in three Gaza Strip hospitals staged a two-hour strike in protest at an incident on Tuesday night in which they said the army entered Shifa Hospital in Gaza and arrested those injured earlier. Palestinian sources said some 200 youths had been arrested in Gaza in 48 hours. The army gave no figure.

Only isolated incidents were reported from the occupied West Bank and for the first time in a week most shops, schools and universities were open. Students chanted nationalist slogans at an emotionally charged memorial ceremony at Bir Zeit University for two students shot dead by troops at a demonstration last Thursday.

Security sources said an army investigation suggested they were both killed by an army major connected with Jewish extremist settlers in the West Bank.

Representatives of the 1.3m Palestinians living in the occupied territories met visiting US Senator Edward Kennedy and complained about alleged Israeli brutality.

Israeli Defence Minister Yitzhak Rabin toured the West Bank towns of Ramallah, Bir Zeit, Nablus and the nearby Balata refugee camp which was still under curfew after an incident on Monday in which a 12-year-old boy was shot dead and four others wounded.

Rabin said the Palestine Liberation Organisation, fearing it was losing influence in the occupied areas to more moderate supporters of Jordan, had stirred up the unrest in a bid to reassert its control.

However, diplomats and Palestinian analysts said the past week's demonstrations eppeared to be largely e spontaneous revolt by young Arabs against perceived Israeli harassment.

The unrest spread beyond the occupied territories for the first time yesterday when schoolchildren and women staged communist-led sit-down protests in the largely Arab Israeli town of Nazareth.

South Africa tightens curbs on journalists

BY ANTHONY ROBINSON IN JOHANNESBURG

NO SOUTH AFRICAN journalist or foreign correspondent will be allowed to puhlish any report on "unrest" or resistance to the Government without first ohtaining authorisation from the relevant government minister or official delegated by him under the terms of press restrictions to he promulgated in today's Official Gazette.

Tiis was revealed by Mr Stoffel van der Merwe, the deputy Minister of Information, at a briefing for foreign correspondents yesterday. Full details of the restrictions will only be revealed today hut the minister said that unrest end resistance would be broadly defined to include strikes of rent, consumer, bus and other kinds of boycott or demonstration.

This represents a significant extension of the present emergency restrictions which ban reporting the action of the security forces or presence at the scene of unrest without written permission from the commissioner or police or commissioned officer.

The actions covered by the latest ban were those which were "uncomfortable but which we could live with as part of the democratic process under normal conditions" the minister said. But the Government had evidence that South Africa was suhject to "a co-ordinated, organised revolutionary onslaught" which to achieve its aims required politisising, organising and mobilising the masses.

'Under these circumstances it makes sense not only to prohibit the final acts—the bombing and other violence—but aleo the process leading up to it," he said. While aimed mainly at organisations linked to the banned African National Congress (ANC) Mr van der Werwe recognised that the restrictions could also refer to opposition parties such as the Progressive Federal Party (PFP) and the right wing Conservative Party.

While the restrictions would not stop opposition spokesmen making statements in future they will not be reportable without prior clearance from Mr Stoffel Botha, the Minister of Home Affairs, who is responsible for enforcing the restrictions.

An example of the kind of action affected by the forthcoming regulations would be reporting of the recent United Democratic Front (UDF) call for a ten-day "Christmas against the emergency" protest.

Two black miners were killed and 12 injnred with stab wounds after fighting broke out between Zulu, Xhosa and Pando miners at the Kloof mine owned by Gold Fields of Sonth Africa on Tuesday night, the company reported yesterday. The latest outbreak of factional fighting on the mines comes after 33 miners lost their lives over the last two weeks in fighting at the Vaal Reefs mine owned by Anglo American Corporation.

Banks reduce prime rates

SOUTH AFRICA'S commercial banks yesterday cut their prime rates by 1.5 points to 12 per cent in a rapid response to Tuesday's decision by the Reserve Bank to reduce hank rate by half a point to 9.5 ner cent, Anthony Robinson reports from Johannesburg.

Standard Bank, tbe first to reect, initially cot its prime rate hy only 1 per cent but quickly followed suits when other leading banks announced their decisions to cut rates by a full 1.5 per cent.

The move to lower rates, metched by reductions in mortgage and other key rates by banks and building societies, came after a two-day meeting hetween the Reserve Benk, commercial hanks and building societies.

Palestinians hand positions over to Iran-backed force

BY NORA BOUSTANY IN MAGHDOUSHEH, LEBANON

PALESTINIAN fighters yesterday begen e ceutioue end piecemeal pullout from frontline positions in this devastated Cbristian village in return for the entry of supplies into the refugee camp of Rashidiyeh hesieged by Shia militiamen since Octoher.

The limited withdrawal from strongholds eround a cburch handed over to Iran-backed Hizbollah supportars was the first practical implementation of an Iranian-mediated and supervised agreement to put an end to bitter figbting that has claimed 600 livee in the last ten weeks.

Despite reservations hy some guerrillas that tha Shia Hizbollah force of an estimated 100 men would be ahle to maintain a shaky ceasefire between Palestinian and Shia Amal comhatants entrenched in Maghdousheh'e western outskirts, many opted to rely on guarantees of the Iranian Islamic Republic.

Abu Ahmed Shaheen, 44, a member of the Democratic Front for the Liberation of Palestine and father of two fighters, Rambo, 20, and Abul Izz, 19, said it was not really in the Palestinians' interest to band over hard-won positions to Hizbollah.

"But the most important thing right now is to help lift the blockade around our people in Rashidiyeh. All we want is to live in freedom. Let the devils take our placa," he said, shouting over the thrashing sounds the wheels of his Nissan truck were making on a newly dug earth road from the shantytown of Ain al Helweb to Maghdousheh. "But if they dare harm our people again, we will strike hack much harder until the last Palestinian is spent. Remember tbat even if a Palestinian dles, his blood lives on."

Unicef decries child suffering

BY STEPHANIE GRAY

THE "silent emergency" of freqnent infection and widespread malnutrition kills 280,000 children each week, according to the latest report from Unicef, the United Nations Children'e Fund, released yesterday.

The annnal report on the "State of the World's Children" says that the world now has the knowledge and the means to defeat the undramatic carnage "on e massive scale and at an affordahle cost.

"At the moment, it is stilt accepted as normal for more than 14m of the world's young children (under fives') to dis every year and for millions more to live in malnutrition and ill-health," the report that marks the 40th anniversary of Unicef states.

It points to marked and more affordahle improvements in immunisetion and anti-dehydration techniques that have saved the lives of 4m children in the past five years alone, despite the recession in commodities prices, reduced eid, higher debt repayments and greater trading harriers for most Third World countries.

The "ailant emergency," it says, is the one in which, even in the past two years has meant that more children have died in India and Pakistan then in all 46 nations of Africa.

"This is the emergency which bas meant that in 1986 more children heve died in Bangledesh than in Ethiopia, more in Mexico than in the Sudan, more in Indonesia than in all drought-stricken countries of the Sahel."

Cheap immunisation and anti-dehydration techniques which have heen operating since 1980 ara now saving the lives of 1.5m children a year

The report quotes the evidence of Mr John Galbraith, the US economist, to a Congressaional Select Committee.

"No error in the advice given to the developing countries in recent decades has rivalled thet which placed investment in industrial apparatus ahead of the investment in human capital."

The State of the World's Children 1987. Published by Unicef, Division of Information ond Public Affairs, UNICEF House, UN Plaza, New York, NY 10017, US.

Digital Audio Tape talks with Japan may end in failure

BY CARLA RAPOPORT IN TOKYO AND DAVID THOMAS IN LONDON

THE FIRST-EVER top-level meeting between Japan's electronics industry and the Western music industry, being held today looks set to end in failure and the escalation of what could become a major trade dispute between Japan, the US and Europe.

The meeting, in Vancouver, Canada, is to discuss digital audio tape (DAT), the latest piece of audio-wizardry to come from Japan.

DAT, which is to be launched in Japan within the next few months, will be able to erase, record and play music with the same high quality offered by compact discs.

The Electronics Industry Association of Japan is today meeting the International Federation of Phonogram and Videogram Producers (IFPI), the international trade association representing 640 music companies.

This organisation is worried that DAT will increase the reproduction of high-quality pirated material, because combined CD/DAT players, which the Japanese have already displayed, would allow consumers to tape off compact discs without paying a royalty fee.

The IFPI has been pressing the Japanese electronics industry for a top-level meeting for three years to discuss various copyright issues, without success until today.

The Japanese industry will be represented by Mr Shoichi Saba, Toshiba chairman; Mr Akio Morita, Sony chairman; and Mr Akio Tanii, president of Matsushita Electric, among others.

The IFPI delegation will include Mr Nesuhi Ertegun, president of WEA International; Mr Walter Yetnikoff, president of CBS records; Mr Jan Timmer, of PolyGram records; and Mr Bhaskar Menon, president of EMI music.

The Western music industry will ask the Japanese to support them in their bid to persuade the US Government and the European Commission to pass legislation requiring DAT machines and tapes to be fitted with an anti-copying device, known as a "spoiler."

The IFPI believes that legislation is necessary to deal with the problem of DAT recorders being produced in other countries.

The IFPI may also ask the Japanese to delay further the introduction of DAT.

However, Japanese industry executives strongly object to the notion of a "spoiler," because it would negate the purpose of DAT.

The Japanese, who have already delayed the launch of DAT from last autumn, are now anxious to launch it fairly soon.

Component markers have full stocks of DAT parts and are ready to fill orders. Japanese production lines are ready too.

DAT players are now expected to go on sale in February or March, at an initial price of between Y150,000 (£843)-Y300,000 in Japan.

Japan in-fighting could floor UK entry to telecom system, Terry Dodsworth writes

Tokyo may thwart C & W's global plans

CABLE and Wireless, the UK company which once ran the British empire's communications system, could hardly have made a bolder attempt to forge a place for itself in tomorrow's telecommunications industry than in its bid for a large chunk of the Japanese international telephone market.

In an industry noted for its nationalistic characteristics, the British group has set its sights on the most closed market in the world. Inevitably, its ambitions are meeting some vigorous in-fighting within the Japanese establishment.

The degree of antagonism to the British group's plans was underscored during the recent Tokyo visit of Mr Paul Channon, the British industry minister. Mr Shunjiro Karasawa, the Japanese Posts and Telecommunications Minister, used the occasion to stress in no uncertain terms that he regards C and W's project as a presumptuous attempt to jump into a business which should rightfully remain a Japanese preserve.

No other industrial country, he told Mr Channon, had so far permitted a foreign company to have a principal stake in an international telecommunications group.

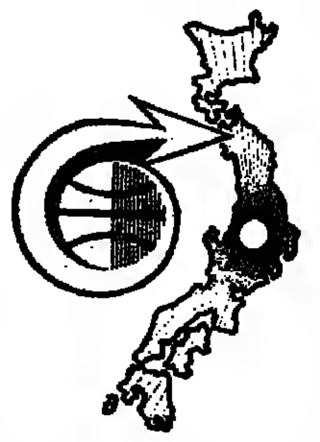
Under the C and W plan, the British company would take a 20 per cent stake in IDC, a new consortium set up to run an alternative international telephone service to and from Japan. The UK group would be one of the two largest shareholders in the consortium and would be in operational control of the business.

C Itoh, the Japanese trading house, would also have 20 per cent, while the rest of the consortium would consist of a smattering of foreign shareholders, three of the big Japanese electronics groups, an influential bank and the Toyota car manufacturing company.

C and W's participation in the organisation makes technical sense because of its long history as a telecommunications operating concern in the international market. Created to deal with the far-flung communications needs of the British Empire, the group has a wealth of experience in dealing with telephone systems on the grand scale.

The Japanese overseas telecommunications business is also a key target for C and W in its strategy of linking Western Europe to the industrial and financial markets of the Far East with a high-capacity, fibre-optic cable network. If the group manages to capture a central position in Japan through the Tokyo consortium, the future of this new international cable service would clearly be strengthened.

To achieve this objective, however, IDC has to beat a rival consortium, ITJ, for the contract. ITJ is seen by some



analysts as largely representative of the conservative, old-guard element in Japanese industry. Its membership includes grand, traditional names such as Mitsubishi, Mitsui and Sumitomo and it is said to be close to the Ministry of Posts and Telecommunications—the department whose minister was so dismissive of the Cable and Wireless consortium in the talks with Mr Channon.

C and W's possibility of success may therefore revolve largely around the question of the authority of the telecommunications ministry within the Government. On this score, the debate is by no means clear-cut. Observers believe that the traditionalists, backed by the Ministry, are fighting a dogged battle to freeze out foreign influence in telecommunications.

But the more progressive elements within the current administration, particularly ministries which have international responsibilities such as the Ministry of Finance and the Ministry of International Trade and Industry, are said to be conscious of the need to allow more foreigners into the charmed, and up to now extremely exclusive, circle of Japanese industry.

The reformist wing can also point to the need to ginger up Japan's telecommunications sector. Weaknesses in the country's telephone infrastructure were strongly highlighted in the 10-year, $150bn restructuring plan for the industry, launched in 1985.

Within the domestic market, the present shortcomings are reflected in high long-distance prices, a by-product of subsidising low local call tariffs. In the international business, Japan generates a surprisingly small volume of traffic for such a large trading nation, partly, it is said, because many companies place their international calls through Hong Kong.

In the domestic market, these problems have been tackled by licensing four new concerns. In the international sector, the C and W consortium argues that it will be better placed than its competitor to provide the necessary counterbalance to the present monopoly carrier because it has greater telecommunications expertise within the grouping.

Apart from C and W's operating experience, the consortium also contains Pacific Telesis, the US West coast telephone operating company, along with NEC, Hitachi and Fujitsu, the giants of the Japanese computer and electronics sector who all have some interests in telecommunications equipment.

One possible solution will be a compromise within the Government, bringing together the two consortiums and redistributing the shareholdings. This would be a characteristic Japanese solution, but if it is employed the key question will be the degree of foreign participation.

Comments from Japanese officials recently have indicated that what the conservatives would like to see is an arrangement which gave the foreigners only a limited equity participation and froze C and W out of the new group's operational management. This is precisely the sort of result which the British company, anxious to press ahead with its global strategy concept, would like to avoid.

But in the war of words now going on in Tokyo, it is not at all clear whether the progressives will be able to win the day.

Coca-Cola signs six-year Soviet pact

COCA-COLA COMPANY has signed a six-year trade agreement with the Soviet Union providing for a major expansion of its business there, the company said yesterday, Reuter reports from Atlanta.

A Coca-Cola spokesman said the value of the transaction was $30m (£21.2m), and included the sale of concentrate, fountain equipment and other equipment.

Coca-Cola has been sold in the Soviet Union through shops serving tourists and the international community since 1985 and Fanta orange, another "Coke" product, has been bottled in Moscow, Kiev, Tallin and other cities since 1979.

Under the new agreement, Coca Cola's business will be expanded to include the bottling of Coca-Cola and the sale of "Coke" and Fanta directly to Soviet consumers in a number of cities, including Leningrad, Sochi, Minsk, and Riga.

The company said the agreement was concluded with the participation of the Satra Group of Companies, a business organisation marketing a wide variety of Soviet-made goods.

The signing of the agreement took place during the annual meeting of the US-USSR Trade and Economic Council, at present being held in Atlanta.

Meeting will focus on trade gap with EEC

BY QUENTIN PEEL IN STRASBOURG

THE CHRONIC and growing EEC trade deficit with Japan, likely to reach $20bn this year, will dominate top-level talks between the Japanese Government and the European Commission in Brussels today.

European fears about bilateral deals being done between Japan and the US – on trade in semi-conductors and on international finance – are also certain to be raised.

The EEC negotiators will be seeking concessions on key sectors in which they believe the Japanese domestic market can be opened up, including wines and spirits, skis, and tendering for the new Kansai International Airport at Osaka.

The broad-ranging ministerial-level talks are being held at the request of the EEC to discuss the full range of the deteriorating trade relationship.

For its part, the Japanese Government is increasingly concerned and irritated by what it regards as unnecessarily aggressive criticism from the Community over the past six months – and particularly since the UK took over the EEC presidency in July.

The European Commission, however, is determined to maintain the pressure in the talks today, while seeking to prove that it is being "firm but fair," according to Mr Willy De Clercq, the Trado Commissioner.

The trade deficit of the Community with Japan is likely to reach $20bn by the end of the year, Sir Geoffrey Howe, the British Foreign Secretary, told the European Parliament yesterday. That compares with a Commission figure of $13.7bn for 1985.

Mr De Clercq said in an interview that the Japanese Government had shown the concern and importance it attaches to its trade relationship with the Community by sending a top-level team to the talks at a time of difficult domestic debates in the Japanese Parliament.

The team is headed by Mr Tadashi Kuranari, Foreign Minister, Mr Hajime Tamura, Minister of International Trade and Industry, and Mr Yataro Mitsubayashi, Minister for Science and Technology.

"They are anxious and irritated by lots of things," Mr De Clercq said. "They think we do not recognise enough the efforts they are making; that we do not react in a fair way.

"It is an effort they are making. For the first time in years they are on the defensive. But they know we are going to continue the pressure."

He said the EEC was set on a three-track approach: general political pressure to open the Japanese market; specific sectoral pressure in areas such as wines and spirits; and a willingness to pursue industrial and research co-operation, promoting investment in both directions.

The Commission will raise once again its fears about the bilateral semi-conductor agreement reached between Japan and the US, currently being challenged by the Community in the General Agreement on Tariffs and Trade (Gatt).

US launches attack on Japanese export subsidies

BY NANCY DUNNE IN WASHINGTON

A TEAM of US Export-Import Bank officials, negotiating a proposed $100m (£70.9m) concessionary line of credit in Jakarta this week, are the vanguard of a new US assault on Japanase export financing subsidies.

In the past, Eximbank moved aggressively to offor mixed credits—commerical financing mixed with aid funds—for projects bid on by French companies.

Tha campaign was aimed at bringing the French Government to an agreement within tho Organisation of Economic Co-operation and Development (OECD) which would ultimately limit the use of mixed credits.

Efforts to put new rules on tied oid into effect were blocked by the Japanese Governmont at the last OECD credit group talks in October. Since then, Eximbank has produced new, preliminary figures for the first quarter of 1986 showing Japan to be the worst offender in offering concessional financing.

According to the agency, Japan made 16 out of 99 offers, for projects worth $1bn. Tha UK made 15 on projects valued about $250m. France mada only five concessional bids on projects worth about $400m. The US proffared fivo mixed credits, valued at $45m.

The team in Indonesia will also visit Thailand to work out terms of another $100m line of credit. In both countries, US companios have lost considerable business to Japanese groups, particularly in the areas of high technology and electrie power genoration and transmission.

There have been suggestions that Eximbank may go into India and China if no agreement is reached within the OECD, but for now, "we are trying to get the biggest bang for the buck," a bank spokosman said.

Israelis award first offshore oil concession

By Andrew Whitley in Jerusalem

ISRAEL has awarded a US-Israeli consortium the country's first offshore oil concession, in tha eastern Meditarranean adjacent to a rich Egyptian find.

The exploration concession, valid for 12 months, covers a 1m-acre bloc running out to sea from the coastal city of Ashkelon and the nearby Israeli-occupied Gaza Strip. It was awarded last month, but has only now been publicly disclosed.

Tha consortium, Negev Joint Venture, is haaded by a publicly-quoted US company, Isramco. Its participants include a private concern owned by Mr Armand Hammer, Occidental's chairman, as well as private Israeli intorests.

Although the oil-bearing atrata is thought to be at depths of over 3,000 ft, making development work costly, the group is encouraged by the proximity of tho largo Mango field, discovered by Total, tha Fronch company, in Egyptian waters near El Arish.

If the preliminary findings are promising, Negev Joint Venture will bave tha option next year of converting its exploration concession into a drilling licenco.

Tha consortium is already exploring for oil and gas in an onshore bloc covering 2m acres, equivalent to 40 per cent of Israel's land area.

After a number of unforseen recent setbacks, test drilling is due to commenco later this month, at one of six locations identified as raising good bopes.

Mr Joseph Elmaleh, Isramco'a Chalrman, said last week bo hoped oil would bo struck at the site, Agur I, within the next six months.

Covering an area of 7,500 acres, tha Agur-I site is thought to have a recoverable potential equivalent to 400m barrels of oil or 2.5 trillion (million million) cu ft of gas, making it a large field by any standard.

Mr Elmaleh said that all the drillable prospects and "loads" identified by his geologists were commerclally viable at average market prices of $15 a barrel. No significant oil finds have ever been made in Israel, despite the spending of soma $260m (£184m) over the past decade.

US, Pakistan in textile pact

The US has reached agreement with Pakistan to curb its textila and apparel shipments to tho US market, Reuters reports from Washington.

The new five-year agreement limits Pakistan's exports to an annual growth rate of about 6 per cent and covers all man-made fibres and clothing and clothing made from other fibres, such as linen and silk-blends.

Singapore to boost tourism

BY STEVEN BUTLER IN SINGAPORE

THE Singaporo Government yesterday released details of a S$1bn £318m) plan to revive the island-state's declining tourist industry.

Tho most expensive component of the plan will be a S$400m project to devolop a beach resort at Sentosa Island, at present connectod to the main island of Singapore by cablo car. Tho islands are now to be joined by a tunnel, bridge, or causeway, with tenders on the project to be open in three months.

The plan, drawn up by the Singapore Tourist Promotion Board and the Trade Ministry, also calls for the re-creation of the colourful Bugis Street, torn up a year ago by subway construction. But there is considerable doubt about whether its old atmosphere can be revived.

Other items in tho plan include refurbishing tho Raffles Hotel and developing the Singapore River into a boating, shopping and restaurant area.

Tourism earnings in Singapore have declined from a peak of S$4.2bn in 1983 to S$3.9bn last year. The opening of a string of new hotels has pushed down occupancy rates to near 60 per cent, and more rooms are still coming on the market.

Tax incentives will be granted to private developers who participate in the new tourism development plans.

Financing of US bid for IC Gas goes to inquiry

BY LUCY KELLAWAY

THE Government yesterday took the unexpected step of referring to the Monopolies and Mergers Commission the £750m bid for Imperial Continental Gas by Gulf Resources, the small and little known US company, on the grounds that the financing of the highly leveraged bid needed examination.

This decision, which was at the recommendation of the Office of Fair Trading, surprised many in the City of London, who had assumed that the commission had effectively ruled on highly leveraged takeover bids when it recommended in September that Elders should be allowed to proceed with its bid for Allied-Lyons.

However, the Department of Trade and Industry said yesterday that the bid indirectly raised issues of competition as the extent of the borrowings could have a damaging effect on Calor, the main subsidiary of IC Gas.

Calor itself was the subject of a monopolies investigation in 1981 when it was decided that, although it did have a dominant share of the market, that this was not against the public interest.

The Commission has been asked to prepare its report more quickly than usual, in five rather than the customary six months. This reflects in part criticism about the slowness of MMC inquiries, but also the fact that much of the groundwork on Calor has already been done.

Mr David Barclay, the UK investor who, with his twin brother, Frederick, owns a controlling interest in Gulf, said yesterday that he was puzzled by the decision. "The only conclusion I can come to is that it was political". He said that the extent of parliamentary lobbying by IC Gas and its supporters had been "unprecedented".

He declined to say whether Gulf would proceed with its bid, adding that the company would make up its mind over the next few days.

IC Gas yesterday welcomed the referral and said that it had long believed the proposed merger to raise important questions of public interest.

At the same time it unveiled plans to change the structure of the company, in order to allow individual shareholders to benefit as much as they would have from the break-up of the company proposed by Gulf in its bid.

The company intends to reshape its portfolio of Belgian interests into a separately quoted company, in which IC Gas shareholders would be given shares. The proposals have not yet received tax clearance and are conditional on the approval of the stock exchange and of shareholders.

The package failed to support the share price of IC Gas in the market yesterday, which at one point fell to 485p before ending the day 18p lower at 526p.

The decision to refer mergers on other than purely competitive grounds is rare. Since current policy was laid down last year by Mr Norman Tebbit, then Trade and Industry Secretary, there have been three other such referrals: the Elders bid for Allied-Lyons, and the rival bids for S&W Berisford from Hillsdown and Ferruzzi.

The referral of the Gulf bid is believed to lack the positive support of the Bank of England. Gulf consulted the Bank on its bid, which would have involved borrowings of some £870m, and got the impression that the Bank had no objections. The Bank said yesterday that it was in no position either to approve or disapprove and that its stance was neutral.

Court blocks Hanson move into Courage pension schemes

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

HANSON TRUST'S controversial plan to take out the bulk of the £80m surplus in three pension schemes at Courage, the brewing group, has been thwarted by the High Court in London.

The court ruled yesterday that the committee of management of the schemes did not have the legal power to sign deeds giving effect to the Hanson plan.

Mr Justice Millett said that Hanson proposed to remove all but £10m of the surplus for its own benefit, or that of Hanson group employees.

The pension schemes had been set up for the benefit of Courage employees. Although they had no legal right to the surplus they were entitled not to be irrevocably parted from it by "the unilateral decision of a takeover raider."

The ruling means that 8,800 Courage employees and Imperial Brewing and Leisure, the Courage holding company can continue to enjoy, possibly for 10 years, the "contributions holiday" provided by the surplus.

Hanson acquired Imperial Group, which included Courage, after a hotly contested takeover battle in April. Last month Courage and other parts of Imperial were sold by Hanson to Elders IXL, the Australian group, for about £1.4bn.

Hanson's plan involved Courage pension scheme members being transerred to a new scheme to be established by Elders, taking with them £10m of the surplus, the balance of which would be taken by Hanson.

The judge said that, shortly after Hanson's "unwelcome bid" for Imperial, the Courage schemes had been amended to close them to new entrants to protect the assets from what had been described as "a predator." Under Hanson's plan, it would be substituted for Imperial Brewing and Leisure (IBL) as the principal scheme company.

Hanson did not employ those for whose benefit the schemes had been established, and now that the sale to Elders had been completed Hanson had no connection with IBL, its associated companies or its employees.

"If trust deeds and rules can be amended now to permit the substitution of Hanson for IBL, then they can be amended to permit the substitution of ICI or British Gas or the company which carries on the business of the local Chinese takeaway," the judge said.

Lawson accused of change in policies

By Philip Stephens

AN ALL-PARTY committee of MPs yesterday accused Mr Nigel Lawson, the Chancellor of the Exchequer, of operating an "obscure" monetary policy and of failing to set a coherent framework for fiscal policy.

In a highly critical appraisal of the development of the Government's economic strategy over the past few years, the House of Commons Treasury and Civil Service Committee called on Mr Lawson to acknowledge a "substantial" change in its policies.

It suggested that the changes in approach to control of public spending and the money supply and to the role of the exchange and interest rates had eroded the original intentions of its Medium-Term Financial Strategy (MTFS).

The committee, which has a Conservative majority, warned of the dangers to confidence on financial markets of apparent conflicts in the objectives of monetary policy. It also expressed some scepticism over whether the Government would meet its public spending targets for next year

The report, prepared ahead of next week's debate on the autumn statement, voices concern over the much more rapid pace of wage rises and unit costs in Britain than elsewhere. It says that there is a danger that this will bring renewed pressure on the exchange rate over the medium term.

Introducing the report, Mr Terence Higgins, the Conservative chairman, said that the committee had aimed to examine whether there had been continuity in policy since the publication of the first MTFS in 1980.

In his evidence to the committee, Mr Lawson had suggested that, although there had been changes of emphasis and presentation in the Government's strategy, the broad lines of policy had remained unchanged.

The committee concluded, however, that: "It is now clear that in respect of the key factors of public expenditure control, reduction in the money supply, and the use of interest and exchange rates there has been a substantial change in policy. In the interests of informed public debate, these should be openly explained and avowed..."

Kinnock fires a salvo in great defence row

BY MICHAEL CASSELL, PARLIAMENTARY CORRESPONDENT

THE DEBATE over the future shape and strength of Britain's defences yesterday moved to the centre of the political stage, where it seems certain to stay up until the next general election.

The relaunching in London of the Labour opposition's non-nuclear defence policy immediately intensifies the arguments over which of the political parties' defence strategies will minimise the risk of all-out nuclear war, offer Britain the best chance of a secure future and ensure the continuing strength of the Nato alliance.

Central to labour's argument is that, since Nato was established 40 years ago, tha credibility of nuclear deterrence has increasingly been called into question while the shape of the political alliance that underpins Nato has changed.

The party says that a nuclear battle fought in the crowded towns and cities of Europe has become unthinkable and that therefore the whole concept of nuclear defence has become a matter of "no defence." Mr Denis Healey, Labour's foreign affairs spokesman, emphasised yesterday that the world contained 50,000 nuclear weapons, equal to 1m Hiroshima bombs.

Home Office calculations suggested that 29m people in Britain would be killed in any nuclear conflict – a figure which would ultimately rise to 50m. "We cannot continue to base our security on the threat of mutual suicide," he said.

Labour also emphasises that there is now recognition, on both sides of the Atlantic, that the perspectives of Western Europe and the US have changed over the last 20 years, a divergence which has produced conflicting judgements and policy disagreements. It believes proper recognition of European interests is now needed, rather than what it sees as the "slavish," one-sided support Mrs Thatcher has offered the Americans.

Labour says that the nuclear arms race must now end and claims the time has come for Britain's own defences to be reconstructed while Nato itself must acquire a new strategy which will ensure that it remains effective into the next century.

At the heart of that strategy, according to Labour, must be an end to the unworkable concept of "first use" of nuclear weapons, the removal of nuclear weapons from Europe and their replacement with effective, conventional forces. The process, it says, will start in Britain, with a Labour government cancelling Trident, decommissioning Polaris and removing all US nuclear weapons from the country. Only then, it claims, will it be believed when it argues for less reliance on nuclear weapons.

Mr Neil Kinnock

Mr Kinnock and his colleagues face the enormous task of winning over Britain's allies within Nato, whose defence ministers, as recently as last week, warned that unilateral disarmament within the Alliance would wreck its deterrent strategy. Much is being made by the Labour leadership of what it claims to be a growing number of defence experts – particularly in the US – who support calls for a review of Nato defence doctrine. But few of them have yet demonstrated much sympathy for the party's own set of solutions.

Having just returned from his visit to the US, Mr Kinnock can be under no illusion about the scale of the challenge he confronts in winning acceptability for the party's proposals among Americans. He emphasised yesterday that his aim was to secure, through partnership, removal of US nuclear weapons from Britain and that discussions would proceed on the basis that the US has never been in the business of imposing weapons on its allies. But he repeated that, at the end of the day, the will of an elected, sovereign government in an allied state would prevail.

Labour has also to convince the British public of its case if it is ever to have the opportunity of putting its defence policies into effect. On the domestic front, it intends to present its strategy for strengthened, conventional defence forces as the only sensible alternative to the further escalation of nuclear arms made inevitable by the Tories' decision to purchase the £10bn Trident missile system.

Mr Denzil Davies, the shadow defence secretary, yesterday emphasized that the cost of Trident would be met out of a defence budget which was being cut by 6 per cent in real terms up until 1988-1989. The result would be a 30 per cent reduction in spending on new, non-nuclear equipment. He claimed that all the armed forces would suffer, further reinforcing the imbalance of East-West conventional forces and hastening the moment when Nato might have to consider the use of nuclear weapons.

Labour's claims that the year-on-year savings achieved from the cancellation of Trident would be sufficient to stop the run-down of conventional defences and help build them up were rejected by Mr George Younger, the Defence Minister, who wasted no time yesterday in rejecting Labour's defence package. He said the savings could not begin to redress the conventional imbalance between Nato and the Warsaw Pact. He warned that unilateral disarmament would torpedo the prospect of successful disarmament talks and gravely threaten the future of Nato.

Mr Younger said that Labour confronted four key questions: how the nuclear threat could be encountered with conventional weapons; how the US could keep forces in the UK without nuclear protection; how the UK could remain a member of Nato if it rejected its nuclear deterrent strategy; and how the West could expect the Russians to negotiate if everything was conceded to them in advance.

In an attempt to highlight differences of opinion over elements of Labour's defence strategy, Mr Younger added: "Mr Kinnock's only response to the deafening outcry against his defence policy is to cover his ears. Meanwhile, Mr Hattersley crosses his fingers and Mr Healey shuts his mouth. But the storm of protest will not die down."

The argument seems set to continue until the electorate is given the chance to give its verdict.

Trafalgar pays £74m for Broseley builders

By Joan Gray

TRAFALGAR HOUSE, the property and shipping group, is set to become the country's fourth largest housebuilder with the £74m purchase of Lancashire-based Broseley House from Guardian Royal Exchange Assurance (GRE).

Broseley holds a large landbank, well placed in areas such as London's docklands and elsewhere in the south east of England where there has been heavy demand for new housing. Trafalgar said the acquisition would strengthen the position of its Ideal Homes subsidiary in the south, south east and Midlands, of England.

The addition of Broseley will boost Ideal's housebuilding capacity by 50 per cent, bringing its total output to 6,000 new homes a year. Ideal, concentrated on the south but with offices nationwide, sold 4,000 houses in the year to September 30.

The housebuilding market has grown by 10 per cent this year to a record level of more than 170,000 houses built for sale, the highest for the last 12 years.

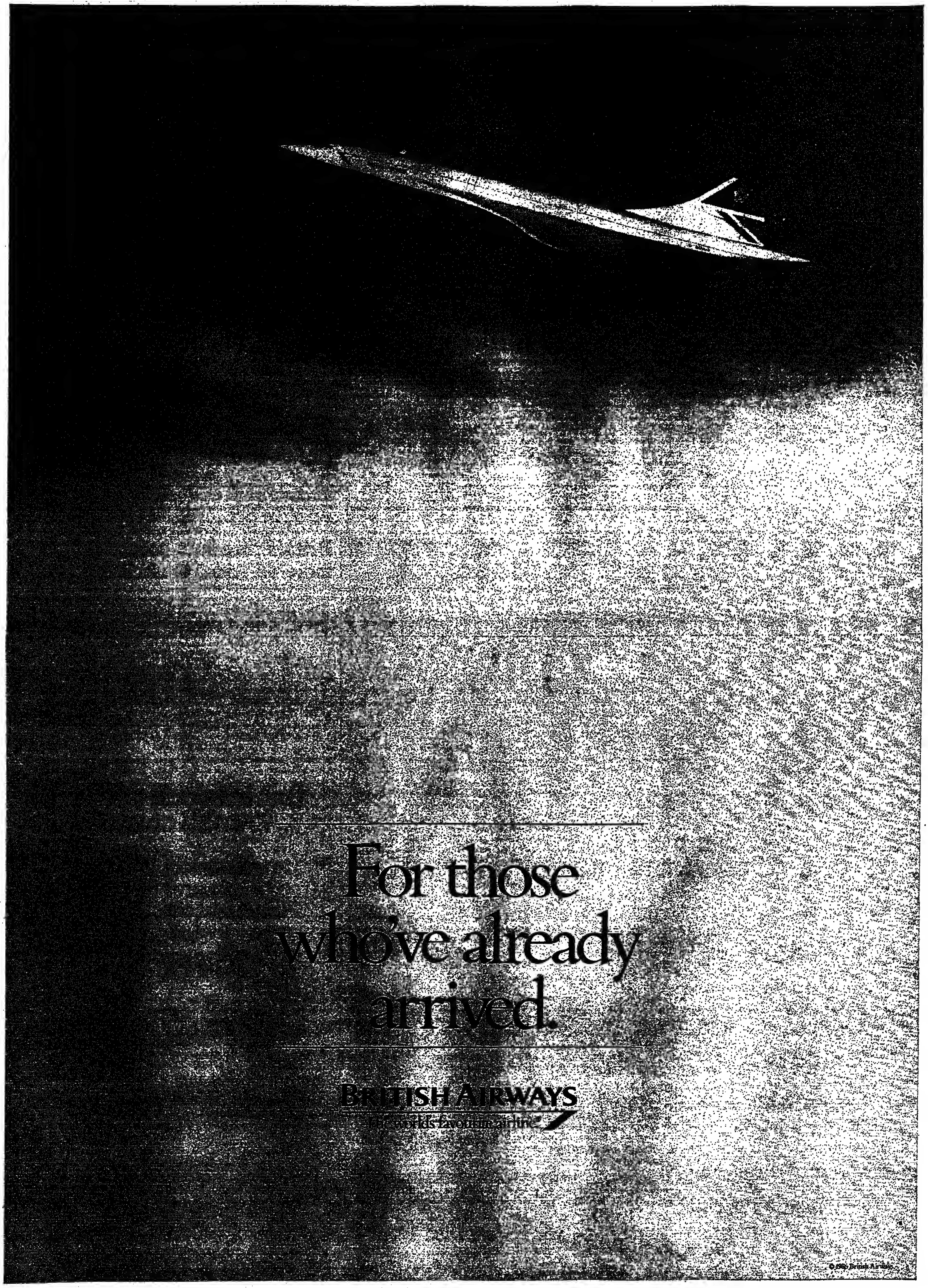
Land prices have risen by up to 40 per cent over the last year and sites in south east England can fetch up to £1m an acre. Broseley brings Trafalgar enough land for 7,000 homes to add to Ideal's existing land bank of 10,000 units.

Trafalgar's projected housebuilding output of 6,000 houses a year compares with the industry's current leader Wimpey, with 11,000 houses a year, Tarmac with 10,180 and Barratt with 8,100. However, Trafalgar has no plans to increase output beyond 6,000 a year and with land prices rising, intends to conserve its land bank.

The acquisition will be financed by a placing of 30.3m Trafalgar House ordinary shares at 245p per share. On the London stock exchange yesterday Trafalgar shares closed 4p lower at 260p.

Broseley made a profit of £3.4m before tax and interest in the year to end December 1985. After interest charges, however, it reported a loss of £4.2m. Trafalgar is expecting to turn this round to a £9m profit for 1986 under a financial restructuring taking place before the acquisition which will leave Broseley with negligible borrowings.

GRE decided to sell Broseley after reappraising its interests.


For those who've already arrived.
BRITISH AIRWAYS
The world's favourite airline

Plans for more liberal telecom market opposed

BY DAVID THOMAS

BRITISH TELECOM (BT) and the UK telecommunications equipment industry are trying to stop proposals in an official report designed to make entry into Britain's liberalised telecommunications market easier.

The report, which has not been published, suggests the sweeping away of many of the tests which new telecommunications equipment now has to pass, but its opponents argue that this could damage Britain's telecommunications services.

British and foreign manufacturers trying to sell new telecommunications equipment such as private exchanges and telephones in Britain have complained about the length of time and cost involved in getting their equipment approved.

There have been suggestions that these procedures have significantly hindered the extra competition in the market which liberalisation was supposed to bring.

Reacting to these complaints, Mr John Butcher, Industry Minister, announced in parliament in 1984 a review of the standards used by the approvals authorities.

The Office of Telecommunications (Oftel), the industry's regulatory body, appointed a review committee made up of government representatives, trade associations, British Telecom and Mercury Communications. It was chaired by Major General Archibald Birtwhistle, a former head of Army signals.

The committee's report, finished in October, proposes three types of requirements which new telecommunications equipment would have to meet in future:

● Mandatory ones to be tested by public authorities as at present; for example, the equipment must be suitable for communication with the emergency services.

● Mandatory requirements which the equipment supplier would himself declare to have been satisfied. The report says these would cover the requirement not to send over the public network "signal patterns that will unreasonably reduce other users's access to shared network resources."

● Requirements which would be entirely voluntary, including "that an acceptable conversational quality of speech is achieved."

The report's recommendations are supported by the Telecommunications Industry Association, which represents the smaller companies set up or expanded because of liberalisation. It says that the industry needs to police more of its regulations itself.

However, BT has written to Major General Birtwhistle expressing concern that "approval of telephone and telex apparatus under the proposed guidelines will not necessarily mean that apparatus will perform satisfactorily."

The BT letter says that telephones might not carry intelligible speech and that telexes might not send reliable messages. It adds that the quality of services available to all users could be damaged by poor transmission.

The Telecommunications Engineering and Manufacturing Association, representing the established manufacturers, has written in a minority report that the proposals will "inevitably lead to a general degradation of speech quality in the UK switched network."

Trusthouse buys stake in Kentucky Chicken

By Lisa Wood

TRUSTHOUSE Forte (THF), the UK hotel and catering group, is taking a 50 per cent stake in the UK operations of Kentucky Fried Chicken (KFC) which has some 330 franchised and company-owned outlets.

THF, which has given no financial details of the deal, is to form a joint-venture company with Kentucky Fried Chicken International which will take in all the activities of KFC (GB) and about five THF properties.

Although THF has major catering interests, including the Little Chef chain and Gardner Merchant, the contract catering company, it has been poorly represented in the quickly-growing fast-food sector, estimated to be worth £1.8bn a year. It has experimented with Julie's Pantry, a small chain of burger outlets in London and its service stations. The three outlets in London will be incorporated in the KFC chain.

KFC's early entry into the UK market in the 1960s with US-style counter service outlets gave it an initial marketing edge. Its marketing strength was eroded between the late 1970s and early 1980s by the growth of competition. It expanded its UK franchising operations quickly and became increasingly reliant on younger customers and the late-night take-away trade – both areas of fierce competition and limited growth.

In the last two years the company, with a turnover of about £125m last year, has embarked on a marketing campaign aimed at families.

Mr Richard Mayer, president of KFC, said the deal with THF would allow it to push ahead more quickly with expansion based on a new concept of larger restaurants with eat-in facilities.

London 'black taxi' faces rival

BY JOHN GRIFFITHS

THE FIRST purpose-built rival to the famous London "black taxi" for nearly 20 years was launched yesterday by Metro-Cammell Weymann, the Birmingham-based bus and coach manufacturer.

MCW, a subsidiary of the Laird Group, has spent over £5m during the past three years in developing the "Metrocab" and bringing it into production at its Washwood Heath plant on the outskirts of Birmingham. Prototypes have covered more than 150,000 test miles.

Significant advantages over the existing "black taxi," the FX4 range built by London Taxi International (part of Manganese Bronze), were claimed for the Metrocab yesterday by Mr Peter Steadman, MCW's managing director.

Mr Steadman said the cab had been designed to accommodate five passengers, as well as being the only such vehicle designed from scratch to accommodate a wheelchair-bound passenger.

A seven-passenger version is also under development, aimed particularly at tapping the shared-taxi market now being opened up, especially in rural areas, through the deregulation of bus services.

The new Metrocab which is also black

The Metrocab uses the 2.5-litre direct-injection V6 diesel engine from the Ford Transit van, mated to a Ford automatic transmission. Apart from the Metrocab's more modern styling – the FX4 in its original form was first launched in 1958 – the other immediately obvious difference from the London Taxi product is that the passenger doors are hinged at the front like a conventional car, rather than at the rear.

One reason for this is to make easier the adaption of the vehicles for e variety of export markets, which MCW would start to exploit in 1988, said Mr Steadman.

MCW planned to produce 1,000 in the first year, with a number of further options being introduced next April intended to appeal specifically to provincial and rural operators.

Currently, Carbodies sells about 2,000 FXs a year to UK operators, who between them account for a "black taxi" population of around 20,000. But Mr Steadman said he envisaged that total demand would be increased by the Metrocab's arrival.

Three factors had persuaded MCW to enter the market: 1985 legislation requiring new taxis to accommodate the disabled; bus deregulation; and what was perceived as a need to break the London Taxi monopoly – "there was a need for a competitor."

This view was endorsed at the London launch by Mr David Mitchell, the Transport Minister, who declared that "the monopoly situation is never healthy."

The Metrocab's price of £13,950 was claimed yesterday to be around £700 less than a typical FX4 model.

Fed official warns of sticky time for banks

BY DAVID LASCELLES, BANKING CORRESPONDENT

A WARNING that the big changes sweeping through international capital markets will bring problems as well as benefits was sounded yesterday by Mr Sam Cross, executive vice president of the Federal Reserve Bank of New York.

He told the second day of the FT World Banking Conference that there appeared to be too many banks competing for a place in the new global markets and he said he expected to see some "slimming down."

"I wonder whether there may not be a difficult adjustment for the market in the years ahead" he said. He also commented that financial liberalisation and the rapid growth in international capital flows was affecting individual countries' ability to control monetary policy and could lead to protectionism.

Market participants as well as regulators might welcome a slowing in the pace of change in order to absorb developments so far, he said.

Mr Stanislas Yassukovich, chairman and chief executive officer of Merrill Lynch Europe, said investment banks must be ready to combat criticism that they were more interested in exploiting the new global markets than in fulfilling their traditional role of channelling savings into productive long-term commercial and industrial projects.

Mr Jonathan Cohen, deputy chief executive of NatWest Investment Bank, believed that commercial banks were well placed to make a success of the securities markets. But he urged them to resist the temptation to move too fast and incur losses which might provoke a regulatory crackdown. "This is the greatest threat we face in London," he said.

A prediction that Japanese firms would play an increasingly important role in the international and company money markets while Japan remained a substantial capital exporter was made by Mr Yoshiyuki Fujisawa, managing director of IBJ International. But he said Japanese firms would also be competing among themselves and would become assimilated into the international culture as time went by.

By creating new types of products, financial institutions had in effect institutionalised financial innovation according to Mr Blaine Tomlinson of Nomura International. He expected future innovation to become more a function of the quantity and quality of resources committed to new product development, stirred by competition and the quest for profit.

City of London institutions needed to be much more conscious of getting "value for money" with their salary policies, Mr Mark Forrester, director of Jonathan Wren, said. US banks were much better at measuring this than the British although the recent large increase in City pay levels were partly due to the much larger US banking presence in London.

Companies 'still miss delivery targets'

By Nick Garnett

PERFORMANCE of UK manufacturing companies in meeting delivery times and managing the flow of work through their plants has shown no sign of improving during the past 10 years, according to a survey published yesterday by the British Institute of Management (BIM).

The survey is based on e detailed questionnaire prepared by the Cranfield School of Management and completed by managers of 240 plants. The results show that manufacturing companies to general pay only lip-service to the practices they say they believe in and fail to deliver where it counts, on the shopfloor.

While pointing to some beneficial changes, the study gives an oblique warning that many companies will not survive if they continue on their present course and blames senior management and company strategies, rather than manufacturing managers, for these deficiencies.

The findings appear to fly in the face of claims by the Confederation of British Industry and the Government that UK Manufacturing has become much more efficient in recent years.

The survey, mainly of mechanical and electronic engineering companies as well as a smaller number in sectors such as chemicals and food processing, was carried out by Professor Colin New and Mr Andrew Myers of Cranfield using 1985 data.

It compares this data with a similar survey carried out by Prof New when he was at the London Business School in 1975. The surveys were based largely on different companies, but Prof New says this should not matter because of the representative nature of both samples.

The authors underline the seriousness of the position. "The questions are very similar to those posed in 1975. Our worry is that, if some of them are not answered soon, there will be nothing left to survey by 1995."

The latest survey shows that, of the sample, one in four plants deliver more orders late than on time and half the plants were unable to achieve the target of having only one order in four late.

Prof New says this finding, which is about the same as 10 years ago, seems "unbelievable" but there are no doubts about the value of the data.

Of the sample, 87 plants are foreign owned, and these performed significantly better than UK owned sites.

Managing Manufacturing Operations in the UK, 1975–85. From Karen Jones, Management House House, Cottingham Road, Corby NN17 1TT. Price £20 (£16 for BIM members).

Britain 'needs to spend more on Aids research'

BY DAVID FISHLOCK, SCIENCE EDITOR

A WARNING that Britain must be prepared to spend much more generously on research into Aids – acquired immune deficiency syndrome – in future was given yesterday by Sir James Gowans, outgoing head of the Medical Research Council.

Sir James, introducing his council's annual report, said that, if the current clinical trial investigating AZT, Wellcome's new anti-viral drug, proved successful, the Government must steel itself to fund a much more expensive trial to establish therapeutic regimes for Aids patients.

AZT is a highly toxic drug which so far has shown greater promise than any other for the treatment of Aids.

Sir James said his council had been able to fund all the worthwhile British research proposals put forward so far on Aids, to a value of about £500,000.

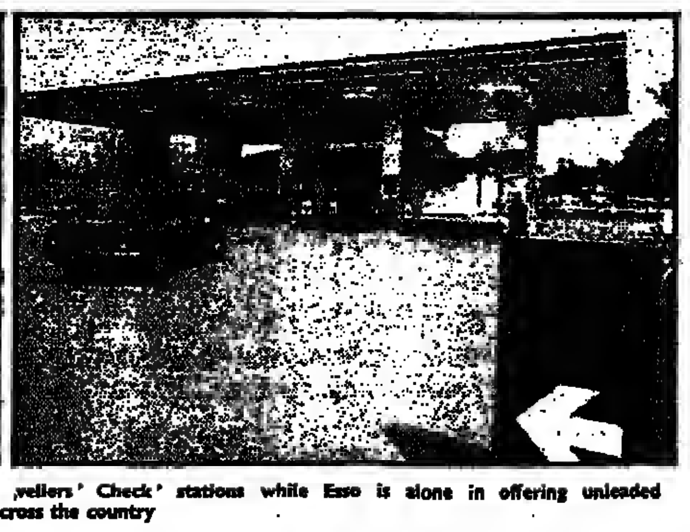
It now needed a further £500,000 but believed prospects of getting this money from other government departments such as the Department of Health were very good.

Nationally, it was estimated that Britain was spending up to £2m on Aids research.

But Sir James said the council could foresee a need for earmarked funds for this research amounting to several million pounds a year for several years.

Medical Research Council Annual Report. MRC, 20 Park Crescent, London W1N 4AL. £6.

MANAGEMENT : Marketing and Advertising



Shell is concentrating on convenience for the consumer at its "Travellers' Check" stations while Esso is alone in offering unleaded petrol across the country

A fanfare on the forecourt

Lucy Kellaway explains why the major oil companies are investing heavily in a bid to generate greater brand loyalty among Britain's motorists

IF YOU tell an oil marketing man that you always buy your petrol from the local filling station, and haven't ever noticed whether it is owned by Shell, Esso, BP or one of the others, he will look at you at first with disbelief and then with disdain. For you are an old fashioned consumer, and one who the oil companies are going all out to exterminate.

Ten years ago petrol was petrol, and unless it was at least as cheap as competing brands nobody would buy it. Now the trick is to convince motorists that a particular brand is different, and thereby secure their loyalty.

The switch away from price as the sole tool for marketing petrol started more than two years ago when crude oil prices peaked. Oil companies were then quick to capitalise on the consumer's dwindling pre-occupation with every last fraction of a penny on a gallon, and discovered that once again they could successfully be lured into a station by a good promotional offer.

The fight was on to come up with an offer that would establish a temporary loyalty among customers, who flocked to the stations offering the classiest type of hobnail tumblers, until they had collected a set.

Although the major companies are still plying the motorist with glasses, games, beer mats, and an ever more sophisticated array of inducements, promotions may be on the way out. Even Esso, which has recently launched the most expensive promotion yet, which allows the motorist to choose between a whole array of "gifts," admits that promotions may be wiped out altogether within a year.

"We are near the end of the promotion cycle," says Marcel Cohen, manager of planning and investment at Shell Oil UK. "They were a way of getting customers to realise that there were things other than price—but now we can replace them by the real thing."

The "real thing" appears to consist of establishing that there is something inherently different about what one company sells and how it sells it.

"The industry has reached the point that the grocery trade was at during the 1970s in terms of customer service," says David Kendal, managing director of BP Oil. As they continue to vie with each other for market share by offering a better service, the oil majors are now following the route blazed by the likes of J. Sainsbury and Marks and Spencer. It seems the so-called retail revolution has reached the petrol pumps.

"We appreciate that in the past the customer was right in looking for price, because in those days all petrol was the same and a site was a site. What we are aiming to do is to improve our product and regain the brand value of the 1960s," says Cohen.

There is no shortage of money to back such a revolution, at least among the biggest players. For the first time in years the majors are making good profits "downstream"—ie, in refining and marketing — and with almost no attractive investments to be made in oil exploration following the collapse in the oil price, companies are now prepared to invest heavily in marketing their petrol.

The oil companies are trying to distinguish themselves in two ways. First, through introducing new and better products, best demonstrated by the launch earlier this year of Formula Shell. This new petrol, says Shell, is supposed to keep the car engine cleaner, give more miles to the gallon, and in general to give better "driveability"—whatever that means.

Whether the new petrol actually is superior or not, motorists appear to like it, and even Shell's competitors grudgingly agree that Formula Shell was a neat marketing move.

"We are interested in Formula Shell—but the jury is still out, and if it can be proved that a programme like that is successful, then we will have to look closely at what we want to do," says Ian Upson, marketing director at Esso.

Other companies have struck their own blows for product quality. Mobil has recently launched a new diesel fuel which it claims prevents engines from seizing up in the cold, while Esso has taken the unleaded route, and is alone among the majors to offer unleaded petrol across the country.

The advent of unleaded petrol generally is likely to hasten the search for better products, posing a new challenge for the hundreds of product researchers employed by all of the big oil companies.

The second way in which the majors are trying to be special is through the filling stations themselves; over the last few years they have poured money into their layout, design and efficiency.

In part this has been a consequence of the trend towards fewer sites with higher turnover, which can support larger investments. While overall demand for petrol has remained roughly static, the number of stations in the UK has fallen from about 35,000 15 years ago to about 22,000 today and is expected to bottom out at about 15,000 in ten years' time.

Furthermore, new technology—in everything from the pumps and tanks to the sales equipment — and the need to bring increasingly popular diesel fuel to the front of the forecourt, have meant that the amounts spent are getting larger and larger.

Simultaneously the customer has been getting increasingly choosy, so that the life span for a filling station before it becomes what Alan Britten, head of marketing at Mobil, calls "embarrassing," is getting shorter. Mobil estimates that a new site complete with smart shop and car wash will cost up to £350,000 and will probably only last for five years before a major facelift is needed to keep up with consumer tastes.

Above all, the need to give motorists what they want has become the stated obsession of oil marketers. All talk of the importance of fast service, clean shops, offering a wide range of goods, friendly staff. Most are trying to devise ways to make buying petrol into a more pleasant or at least a less aggravating experience. But while all stress the same or similar needs, each hopes that by doing it better than the others, it will be able to increase its share of the market.

In support of efforts to improve the filling stations, the majors are planning expensive advertising campaigns, where the onus is switched from the existing pattern of advertising a promotion, to trying to convince the consumer of the superior nature of the product and of the service offered.

Already this year Esso has increased its advertising budget by 80 per cent, to an undisclosed amount, which has included a growing chunk of advertising material which stresses the quality of the Esso stations.

While nearly all are working on their own forecourt of the future, Shell's plans outstrip many of the others, at least in terms of cost. Since the beginning of this year it has been building new forecourts in East Anglia, under the code name "Nutkin." "Travellers' Check" to the public, each of which costs up to £500,000—between £100,000 and £200,000 more than a conventional modern filling station. Having already tested some 40 sites Shell has decided to adopt the new format throughout the country.

Cohen, the designer of Nutkin, talks of it with a kind of religious fervour. A team of 40 people has spent the past two years, he says, getting to grips with the problems associated with filling your car, and have come up with a solution which East Anglians are apparently pleased with. The forecourt is arranged on a "single starter gate" layout with pumps on either side, a fast lane that takes credit cards and cash, three or four ordinary lanes—and one lane with "assisted service"—all dished out at the same price.

Cohen says that he is trying to convert the consumer from his normal state of cynicism towards oil companies to regarding them more as kinder organisations which have the motorist's interests at heart. To this end a whole number of changes have been made to the shop as well as to the forecourt itself.

The aim of the shop is no longer to achieve maximum sales per square foot by selling miscellaneous items with above average profit margins, but which are not connected to the needs of the motorist, he says. Instead, the shops are created to answer all the customer's needs, and thereby ensure his custom as a buyer of petrol. For example, toilets—about which Cohen has particularly strong feelings—have been brought inside, and are large, warm and clean, with places where babies' nappies can be changed. In the middle of each shop is a high tech "communications centre," with electronic screens dispensing free information about routes, and containing unvandalised telephones and post boxes.

The range of goods has been selected with emphasis on quality rather than on price. It seems that Shell is taking care of the motorist's stomach, providing hot and cold takeaway snack food to supplement the usual Mars bar. In addition a whole series of other services is provided — including cash machines and dry cleaning — which Shell hopes will save rushed motorists from making an inconvenient stop in the High Street.

The scheme appears to have been a success. While Shell will not say how much its volumes have gone up as a result of Nutkin, it claims that in the pre-Nutkin days its East Anglian customers were loyal in four out of 10 purchases, compared with more than seven out of 10 under the new régime, while it says one-third of its customers claim they will now fill up their cars nowhere else.

Although such claims have to be treated with caution, Shell would not be prepared to commit the extra millions of pounds to such a scheme if it did not believe it would work.

Whether the heavy investments being made by both Shell and its competitors will turn out to be well spent is another matter. However much the oil companies are enjoying what Upson describes as their revolution from being wholesalers to having "reinvented the basic techniques of marketing," their strategy is a risky one.

There is a danger in being a higher cost marketer if rival companies still view themselves as wholesalers, because if the main basis for competition reverts to price, then costs should be kept as low as possible.

According to Mobil only 16 per cent of the market is acutely price sensitive, and that percentage is falling. Shell feels confident that today's motorist is not about to revert to old habits. The customer, it says, wants quality—and a few pence off the price of a competitor's gallon will not be enough to leave the smart new stations standing empty.

How not to get the needle

Bernard Simon reports from Toronto on the marketing of artificial Christmas trees

"MY MOTHER thought it was strange," Andrew Rafelman says of the time he broke the news that her Jewish son was going into the business of selling artificial Christmas trees. But as Rafelman, marketing manager at Noma Inc, Canada's leading manufacturer of Christmas decorations, says: "I'm a business school graduate, and marketing is marketing."

Marketing artificial trees (or life-like trees, as Noma prefers to call them) has become a rewarding occupation in a country with enough natural forests to provide a fir, spruce or Scotch pine for every family on earth.

Increasingly aggressive merchandising has helped boost demand for the PVC article by almost 50 per cent since the early 1980s to an estimated 350,000 trees a year, versus 1m natural trees. The artificial tree market in Canada is now worth about C$24m a year.

Rafelman (who says that being Jewish in the Christmas trade is an advantage because "I don't have to go home and celebrate it after selling it all year") estimates that about 40 per cent of Canadian households will have hung their Christmas lights on plastic leaves this year.

Noma also ships trees to Britain, Australia and the Far East, and recent acquisitions have made it the second biggest Christmas decorations supplier in the US. The company hopes to penetrate other European markets next year when it starts producing soft-needle spruces and firs, the most popular varieties in countries like West Germany, the Netherlands and France. (At present, these types are imported to Canada from Taiwan and Hong Kong).

Noma's television commercials try to turn the tables on the traditional Canadian ritual of an afternoon drive into the snow-covered countryside to cut and bring home the family Christmas tree. "Christmas should be a time for simple pleasures," the ad's voiceover says as a man struggles in the snow to get a messy, freshly-cut tree into his car.

The ads steer clear of mentioning what Noma believes is one of the key reasons for the swing towards artificial trees —a lesser fire hazard.

Many Canadian municipalities and shopping malls have banned natural trees from their premises in the wake of a number of well-publicised fires. Noma says that its trees are "flame retardant." On the other hand, the Canadian forestry service, which actively promotes the natural product, retorts that safety is a matter of "good, old-fashioned common-sense."

There is also plenty of positive merchandising for life-like trees. Noma employs 25 women to shape and decorate trees in the stores which stock them. Customer presentations for 1987 orders have already begun.

Artificial trees cost up to C$300 apiece (the average purchase is around C$100), compared with C$25-40 for the real thing. For many buyers, however, the price difference is outweighed by other factors.

The artificial tree-owner avoids the disagreeable chores of getting the tree upright, watering it regularly, and removing it at the end of the festive season without leaving a bed of needles on the sitting-room carpet.

Manufacturers of life-like trees guarantee their products for up to 10 years. But their hopes of market growth depend heavily on customers buying more often to keep up with the Joneses. Rafelman says that "what we're trying to do is to get people to trade up — just like a car or a stereo."

Each year brings new improvements to artificial trees, making them look, feel and even smell more like the real thing.

With names like Black Forest, Rocky Mountain Spruce, Laurentian Fir and Douglas Fir, the company's products have become increasingly difficult to distinguish from those which grow within a few miles of its Toronto factory.

Rafelman asserts that "the stigma associated with artificial trees is declining." Nonetheless, Noma hedges its bets. Its decorations are designed for natural as well as artificial trees, and it has begun making the large plastic bags used to carry real firs, spruces and pines in and out of the house.

TECHNOLOGY

Far East leads in cashless shopping

Stephanie Yanchinski, in Singapore, examines why countries in the region have been quicker than those in the West to implement electronic purchasing on a large scale

DESPITE monumental efforts by Western banks to get retailers to accept cashless shopping networks, they have arrived first not in the US and Europe but in the jangling money centres of the East. It is in Hong Kong, Singapore and Thailand where electronic purchasing systems have become established on a large scale.

The past two years has seen the inauguration in Asia of some of the most up-to-date computer networks for moving money around the banking system, and Australia and New Zealand have also taken an early lead in the ushering in of electronic cash transfer systems in retail outlets.

So why have these countries succeeded where more established financial centres have failed?

The answer is two-fold. The main reason is that shoppers in the region have traditionally preferred to pay for goods by cash rather than credit card. This means they have more readily accepted the immediate disappearance of their money with the purchase of goods. In addition, particularly in the case of Singapore, powerful government backing has also played a pivotal role in the new systems gaining widespread support among retailers.

For instance, in Singapore two powerful government banks formed the core of a five-bank consortium which underwrote the country's cashless shopping network. "The government sees the reduction of cash transactions as a way to maximise retailing productivity," says Lim Bak Wee, general manager of Network for Electronic Transfers Singapore (NETS), which was set up by the banks to manage the system. "This has become an essential part of a national drive to improve the country's commercial competitiveness," he adds.

After hurdling technical hitches and indifferent marketing, the new companies set up to run electronic fund transfer at point of sale (EFTPOS) networks are reporting booming results. For instance, Singapore's NETS chalked up S$25m in cashless transactions in the first eight months of 1986 alone. Hong Kong Easy Pay System Co. registered a three-fold increase in business during the first half of this year.

Whereas credit cards evolved to handle major purchases, EFTPOS developed mainly for purchasing ordinary items such as daily food, petrol and pharmaceuticals. At its heart is the ordinary electronically coded Automatic Teller Card issued by the customer's bank.

When a customer makes an EFTPOS purchase he first keys his personal identification number into a handset the size of a small calculator. He then waits for the EFTPOS computer to interrogate his account by sending electronic signals down a telephone line to the bank's computer. Once approved, the terminal issues a receipt. The entire transaction can take as little as 28 seconds.

Unlike transactions with credit cards the retailer's account is credited with the sale by the end of the day.

The benefits to shops and banks are clear, for paperless purchasing eliminates tiresome clerical work and the hazards and expense of conveying cash from place to place.

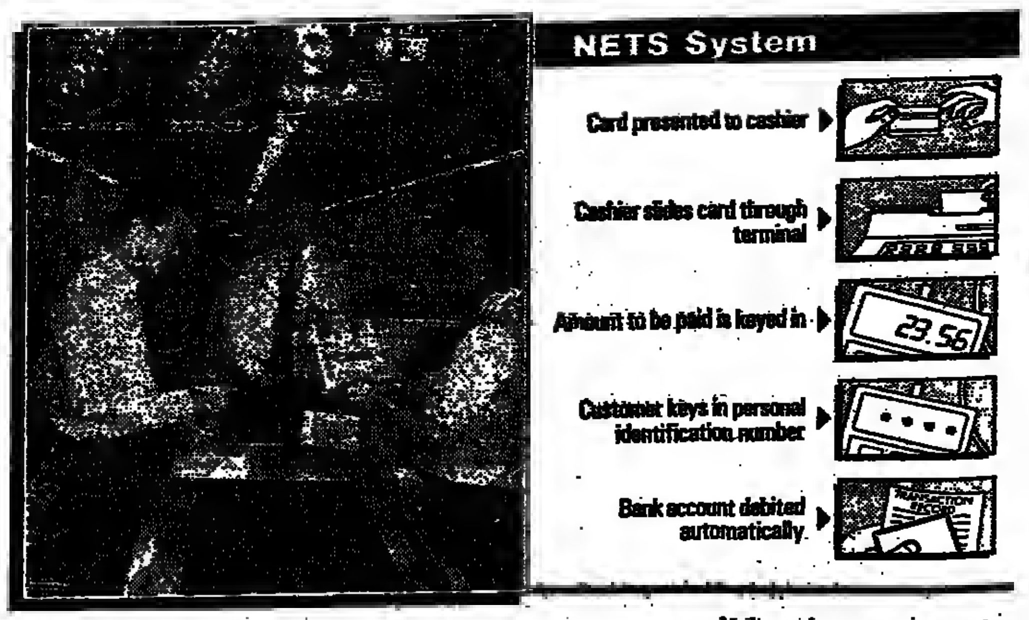
For consumers, however, the advantage of carrying less cash is counterbalanced by the loss of up to two months free credit which can be obtained with credit cards. In Asia, therefore, electronic funds transfer has tended to work best in countries such as Hong Kong, Singapore and Australia which are not given over to large-scale credit card buying.

The EFTPOS side of the operation has not been so popular with customers in Thailand, however, where terminals will accept credit cards as well as ATM (automatic teller machine) cards. Dr C. Ghotivid, development manager of the Thai system, admits: "We're still debating whether installing the system was worth it or not."

Among the problems, he says, are the small number of terminals, about 200, and the fact that the big stores issue their own credit cards.

By comparison Westpac, just one of five Australian banks running electronic transfer systems, operates 1,500 EFTPOS terminals scattered across Australia. Hong Kong's Easy Pay system has 800 terminals and NETS in Singapore has 600, with another 400 on order.

John Friend, a chief systems manager with Westpac, says his bank's system will soon be integrated with the other four Australian banks, and even Australian building societies. The systems spread in popularity has been helped, Friend thinks, by its unique technology, which takes into account the time difference between terminals in far flung corners of Australia.



The clearest success with an EFTPOS system, however, has been enjoyed by Singapore. This has resulted from aggressive marketing campaigns, secure financial backing and persistent efforts to improve the system's technology.

Singapore's five leading banks, the DBS, OUB, United Overseas Bank, the Overseas Chinese Banking Corporation, and the government-owned Post Office Savings Bank, formed a consortium which underwrote the initial investment, estimated to be at least S$8m, and set up NETS to commercialise the idea.

During the pilot phase, which lasted six months, NETS moved quickly to eliminate technical hitches. For instance, retailers complained that the original terminals took too long over each transaction. So NETS installed more up-to-date terminals which reduced transaction time from 42 seconds to 28. NETS has also introduced integrated terminals which combine electronic cash registers with electronic funds transfer. This shortens the overall transaction time still farther.

Unlike Hong Kong, where some customer resistance was experienced during the system's first year of operation, Singapore mounted a comprehensive marketing campaign to sell NETS to retailers and the purchasing public. Advertisements on bus, television, radio and in the newspapers, promotions with major chain stores, and give-away holidays attracted the attention of customers, while NETS pulled in the retailers with charge-free, one-year contracts.

Consequently, in Singapore cashless buying has moved into department stores, supermarkets, government departments, jewellery shops, electrical appliance shops, furniture shops, most self-service petrol stations and even the housing estates, where monthly rents can be paid by cash card. Average monthly transactions rose from 44,000 a month in January 1986, when the system was officially launched, to 200,000 in September.

Nevertheless, even in Singapore this respectable number still means that only around 13 per cent of the total population are using cash cards regularly. Major retailers such as Metro Stores claim NETS accounts for no more than 2 to 3 per cent of sales.

Yeo Yam Ho, financial comptroller of the Metro clothes and household goods chain, voices a common observation when he says that "the older generation will continue to use cash. It is the young that are enthusiastic to move over to EFTPOS."

Embryonic ideas on how to engineer better milk yields from British cows

OUT OF THE BACKROOM

By David Fishlock

BRITAIN HAS a fighting chance of returning to the forefront in the genetic quality of cattle. This is the belief of those backing an experiment to accelerate improvements in the genetic base of the British cow.

The quality of British cows currently lags some 20 per cent behind that of North American stock, which in consequence is in demand worldwide.

Dr Charles Smith, a senior geneticist with the Animal Breeding Research Organisation (ABRO) near Edinburgh, calculates that the new technique to be tested could, theoretically, improve the genetic base of cows—protein, fat, milk yield, etc.—by 1.75 per cent a year. This compares with a theoretical maximum of 1.5 per cent annually for the present practice of progeny testing and selection.

Actual rates of improvement over the past 20 years have been much lower, 0.75 per cent a year in North America and only 0.15 per cent a year in Britain, says Dr Smith.

The British genetic experiment, for which he and Prof. John King, former director of ABRO and now with the Edinburgh School of Agriculture, are scientific advisers, is called multiple ovulation embryo transfer (MOET). The two scientists have collaborated for nearly 30 years. Their latest experiment is being mounted by a small biotechnology company, Premier Breeders, founded originally by a group of stock breeders to exploit the potential of frozen semen.

Since 1979 Premier Breeders has also specialised in embryo transfer, a technique pioneered in Britain, but which in the 1970s was having troubles, not least because it involved surgery.

Normally a cow produces only one calf a year. Embryo transfer, in essence, is the idea of flushing eggs artificially, in batches, from the natural reservoir of a carefully chosen donor cow, and reimplanting them in another cow. The number released can be increased by hormonal stimulants—superovulation.

An extra twist can be added by microsurgery on the egg itself, which can be split in two, to double the number available.

Dr Will Christie, a veterinary surgeon recruited by Premier in 1979 from the Cambridge laboratories of the Agricultural and Food Research Council, has perfected embryo transfer to the point where he expects an average of six eggs per flush, and his hand-picked cows yield about 32 eggs apiece per year.

Premier's Vallum Farm, near Newcastle upon Tyne, has been designed round a suite of laboratories to facilitate embryo transfer. Dr Christie, technical director of Premier, has already collected about 15,000 eggs, about 130 microns across, barely visible to the naked eye. His team has tranferred about 70 per cent of them.

The company claims a success rate for transfers of 60 per cent using frozen embryos, and 68 per cent with fresh—same-day—eggs. Dr Christie has simplified the operation so that surgery is no longer necessary. He has done over 120 non-surgical implants in the last 18 months.

Premier is making its embryo transfer technology available to breeders by three routes. They can send cows to Vallum Farm, at invite Dr Christie's vets to come to their own farms. The third way is through a nationwide chain of satellite locations being organised in collaboration with Beecham, the UK chemicals group. These satellite centres will also be central to the MOET experiment.

MOET was originally conceived by an Australian scientist, Frank Nicholas, at Sydney University, as a way of accelerating genetic improvements in cattle. His ideas were picked up and refined by Charles Smith and John King at ABRO. In a joint paper in 1983 Nicholas and Smith outlined a scheme they believed would "sustain a rate of genetic improvement some 30 per cent above that possible by a conventional national progeny testing programme."

Fundamental to its success are the two techniques in which Premier has specialised: artificial insemination and embryo transfer.

Financial support for MOET has come from Agricultural Technology, a venture capital company specialising in biotechnology, which now owns 5½ per cent of Premier. British Technology Group, the UK's state-backed technology transfer agency, owns another 9 per cent.

Premier's objective, says David Storey, managing director, is to create a nucleus herd of 250 donor cows, using stock selected internationally and bred by embryo transfer.

Instead of progeny testing to select stock for breeding, MOET will use sibling testing of young sires generated within the scheme itself. By using sibling instead of progeny criteria, the generation interval can be halved, Smith believes.

MOET will begin with frozen embryos imported from North America, the first time such embryos have been used in Britain. It will also use an efficiency index which clearly ranks the nucleus herd members for both financial and production efficiency. And it will use for the first time progeny testing of females.

Dr Smith says one reason why he, as a scientist, is happy with Premier managing the MOET experiment is that "they know their cattle business," unlike many enthusiastic academics. The nucleus herd of "high-potential" cows has to be carefully selected according to a novel cow genetic index as well as the familiar milk production index.

"In effect, they will be cows with an enhanced drive to eat," says Dr Smith.

If the experiment succeeds fully, his calculations suggest that it will cut the generation interval from 6.5 years for the present progeny testing approach—used for example by Britain's Milk Marketing Board—to 3.7 years.

MOET itself is a research project but its scientists believe that it needs research support to improve its own techniques. Dr Christie is looking for further research at ABRO, for example, into superovulation and new DNA-based ways of gauging milk production.

He is also convinced that both embryo transfer and the freezing of embryos has ample scope for improvement. To keep MOET moving smoothly, Premier Breeders has asked the Biotechnology Unit of the UK's Department of Trade and Industry to share the cost of supporting research estimated at an extra £1m.

Buggy ride up a waste pipe

By Geoffrey Charlish

FRENCH COMPANY Hytec (an abbreviation of Hydro Technologie) has built a robot "buggy" that can be sent, for example, into the seaward end of the waste outlet of a power station and will work its way for nearly a mile along the pipe, checking for corrosion or damage.

The four-wheel buggy is sent down from a boat in a propellor-guided, cable-lowered cage. At the pipe entrance (which must be at least 5 ft wide) it rolls off a ramp and into the pipe. It moves along at about half a knot and has a gyroscopic guidance system with a meter to measure inclines, a pressure sensor, distance meter and powerful lighting with colour and monochrome TV cameras. An hydraulic arm can be fitted with various tools or sensors. All the information and commands to and from the boat are transmitted along an umbilical cable.

FINANCIAL TIMES SURVEY

Thursday December 11 1986

Grenada

A relatively high living standard is underpinned by US assistance, which is about to decline. The coalition is trying to secure the future; but uncertainty looms.

Looking beyond the aid

By Stephanie Gray

IN A small bare courtroom in Richmond Prison, the most imposing building on the St George's landscape, 13 men and one woman were last week found guilty of committing one of the most dramatic murders in modern Caribbean history.

All are former members or military associates of Mr Maurice Bishop's People's Revolutionary Government. They were found guilty of murdering their leader, four of his cabinet members and others, in November 1983.

The murders, and the chaos that succeeded them, precipitated the US invasion of the tiny Windward island. The country's preoccupation with the outcome of the eight-month trial is just one illustration of how close the past still is to Grenada's 93,000 population.

Since the invasion, or "rescue mission," as it is described by most islanders who had spent a terrifying week under a 24-hour curfew, 88 per cent of finance to the conservative government of Mr Herbert Blaize has come from Washington.

Having completed the largely Cuban-built international airport at Point Salines — one of the pretexts for the intervention — and rehabilitated much of the country's neglected infrastructure, US aid is set to decline dramatically in the next few years, however.

It is a prospect that fills many with dread, and one that they are reluctant to accept.

After more than a decade of rule by the eccentric and dictatorial Sir Eric Gairy and the Marxist revolutionary Mr Bishop, Grenada's economy grew by 3 per cent last year, from zero at the time of the intervention. The islanders are enjoying a standard of living far above that of their neighbours and, according to one US official, have "naively assumed a largesse of aid."

"Grenada has received lots of hand-outs and the hand is still out," said one local banker.

The islanders are doomed to be disappointed but, in the meantime, have given the impression that they are unduly anxious to please their saviours from the communist yoke.

The clearest example of this was the country's obstention, along with the US, in an October United Nations vote on a resolution calling for sanctions against South Africa. The cultural embarrassment, for what is largely a black community, was compounded by the declaration by the Deputy Prime Minister, that the vote had "nothing to do with sanctions" but rather with Namibia.

It was an attempted sleight of hand that fooled nobody, the official text showing the obvious link between the two and calling for sanctions against South Africa for its occupation of Namibia.

The Government, a three-party coalition that was formed to fight the 1984 general election on the urging of the US and Grenada's conservative Caribbean neighbours, seems unabashed, however.

Having lost the battle for extra budgetary support from the US early this year, Government officials say they will continue to press for additional assistance to the EC$10.8m (US$4.02m) pledged "to protect the Government's credibility."

Like both the Gairy and Bishop regimes, however, the Government has attracted a good flow of aid from other sources, notably Britain, Canada and France; and it is seeking a structural adjustment facility (on the urging of the US) with the International Monetary Fund.

The US influence has not gone without its reward for Washington. Mr Blaize introduced a budget in February that President Reagan would have been proud of. The key item was the removal of most taxes, including income, export, company, consumption and hotel-occupancy taxes, and their replacement by a blanket 20 per cent value added tax on locally-generated goods and services.

The manner in which the legislation has been introduced has caused a great deal of confusion and lost the state e considerable sum in revenue. But it has led to an encouraging upturn in local investment by companies that have decided to expand their operations rather than hand over their savings to the shareholders.

Expatriate Grenadians—there are 500,000 of them—have started to put their money into housing and small tourism ventures.

Foreign investment has been slow to materialise, but may pick up by the middle of next year when communications, along with water and electricity supplies, are expected to have improved considerably.

"There is still a lot of caution," commented the banker "It is too optimistic to expect investment so few years after such a big upheaval."

Despite all the commotion over the prospects for tourism and for manufacturing industries being enticed to Grenada, the economy remains primarily agricultural. Nutmeg and mace, cocoa and bananas are the main crops, accounting for 25 per cent of gross domestic product and 40 per cent of export earnings.

It is at agriculture that the Government's first efforts at privatisation are being aimed. Between 3,000 and 3,500 acres of land—much of it confiscated under Gairy and Bishop—is being handed over to agricultural workers and small farmers in five-to-10 acre lots.

Farmers, demoralised under the previous two regimes, are receiving realistic producer prices; and low-cost, long-term loans are obout to be offered, along with o greet deal of expertise in the form of extension services.

However attractive the incentives for agriculture, it remains to be seen whether the young men who loiter around street corners in St Georges, statistics in an unemployment rate of between 25 and 30 per cent, will be enticed on to the land.

Farming in year-round temperatures of 80 degrees Fahrenheit could hardly be regarded as easy money. Young Grenadians have always shown a penchant for a career in law, rather than on the land, and the average age of a farmer is about 60. What is more, many young men in Maurice Bishop's day found a more glamorous role toting an AK-47 in the People's Revolutionary Army, and would find life on the farm a bit infradig.

Apart from its divestiture of land, the Government has not shown much inclination to disengage itself from the economy other than to announce plans to privatise 26 state corporations. Government services alone still account for 42 per cent of GDP, and its involvement in most other sectors pushes the rate much higher.

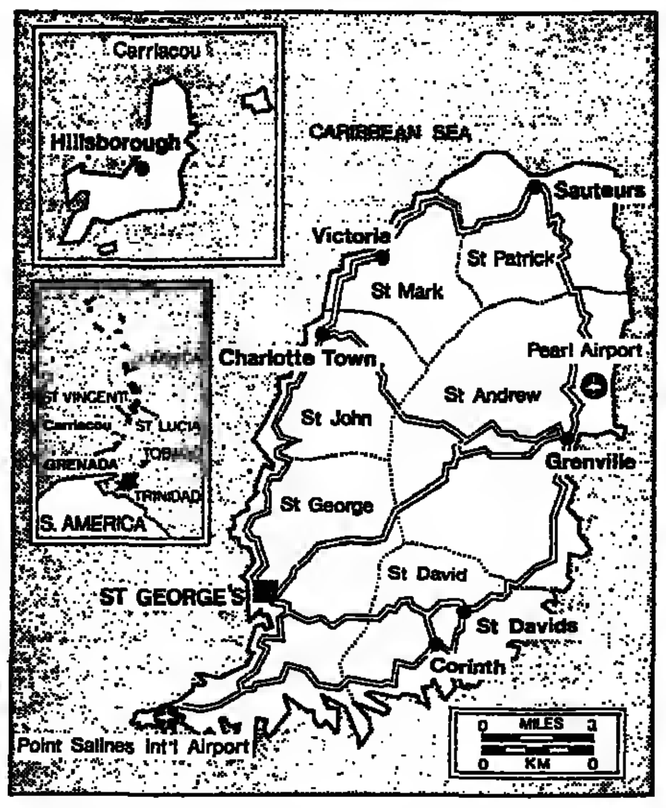
There are other uncertainties, too. The ruling New National Party is an uneasy alliance of three centrist political groupings subject to constant in-fighting.

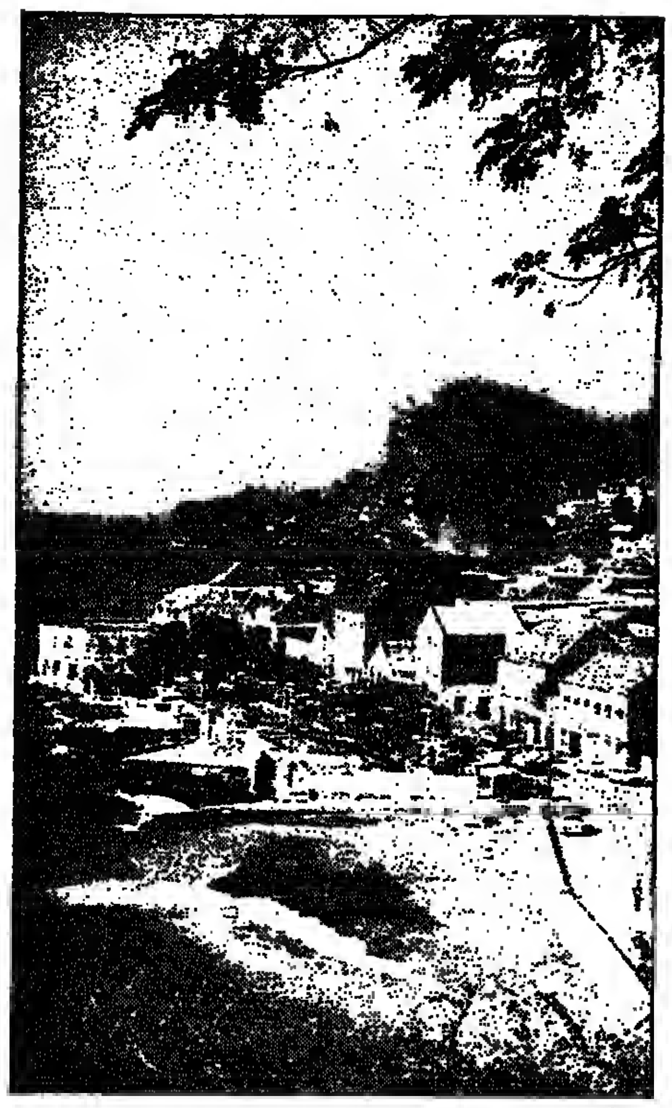
Mr Blaize, though he is only 69, is in very poor health and spends a good deal of time out of the country receiving treatment in the US.

The two heirs apparent are Mr George Brizan, the Minister for Agriculture and Tourism and briefly o member of the People's Revolutionary Government; and Mr Francis Alexis, the Labour Minister. Having indulged in some public squabbling, they have recently resolved their differences—for the time being, at least—in an apparent effort to unseat the Prime Minister.

The dissension led one prominent businessman last month to warn the Government about the consequences of a return to political instability. Another lamented that the Government "continues to play politics rather than settle down to the bard chore of running an economy." He also railed against the NNP's over-reliance on aid, and recommended the odoption of some bard political decisions in this month's bndget for 1987.

As the extraordinary levels of American aid drop oway, the coalition's economic difficulties will begin to multiply. The island may well enter a new period of political turbulence.





Anne Bolt

18th century houses on the western front of the capital city and principal port, St George's

The economy

Taxation disorder causes shortfall

ONE of the hottest subjects of debate in St George's lately has been the question of how the Government intends to plug a shortfall in 1986 budget revenues, officially put at EC$18m (US$6.7m) in February but by now possibly as high as EC$36m.

The larger figure is expected, given the loss of revenue as a result of the confused introduction early this year of a major tax reform and failure to implement fully an internal reorganisation plan, savings from which were included in the February budget.

Of the expected government revenue of EC$108m this year, only EC$90m has materialised, and an expected EC$36m gap is all the more serious given the state's dominant role in the economy — an inheritance from the years of rule under both Sir Eric Gairy and the revolutionary Mr Maurice Bishop.

Grenada's balance of payments continues also to be characterised by a persistent deficit in the current account —30 per cent of GDP in 1985— and is being sustained by relatively high levels of official grants.

At the end of last year, the island's external debt stood at US$47.5m, equivalent to 92 per cent of exports. Debt service obligations were 20 per cent of exports and arrears in external payments stood at US$3m. With the obligations amounting to more than a quarter of revenues, the Government is cautious in contracting additional external debt but keen to maintain the high levels of foreign aid that have been flowing in since the US intervention in 1983.

CONTINUED ON PAGE 2

Business

Confidence is returning

BUSINESS confidence is returning to Grenada, says Mr Herbert Blaize, the island's Prime Minister. "All over Grenada you see buildings going up—houses, hotels, shopping centres. People do not build in a country which they have no confidence."

There is evidance to support Mr Blaize's contention. As a measure of business confidence, construction which stagnated during the years of administration by former Prime Ministers Sir Eric Gairy and Mr Maurice Bishop, is recording high levels of growth. Sales of building materials last year reached EC$12.2m, some EC$3.1m more than 1984.

But for some lingering problems of infrastructure and intermittent questions about the islands political stability, there is in Grenada a new spirit which has overtaken private anterprise.

The retail sales index last year indicated an increase of 14.3 per cent over 1984, Mr Blaize said in parliament earlier this year, and all the major companies on the island recorded substantial increases in sales.

"There is indeed business confidence in Grenada," said Mr Brian Pitt, president of the Chamber of Commerce. "The Government has provided a range of new incentives which the private sector needed."

Government officials say the expansion in business is regarded as an immediate option in tackling unemployment, estimated at 30 per cent.

Much of the confidence in the business community has followed the election of Mr Blaize's administration and the implementation of pro-business policies, coming after four years of administration by Mr Bishop's Socialist Government which moved in the direction of state control of the economy. The private sector has also welcomed tax reforms announced earlier this year.

The Government has dismantled an unwieldy system and donet away with personal income tax, company tax, export, stamp, excise and consumption dnties, hotel occupancy tax and radio and television tax.

It has retained taxes on foreign exchange and motor vehicle purchases, and implemented a value-added tax, a land tax, petrol tax and a company lev. The value-added tax, however, has caused some discomfort to the island's business community.

"The value-added tax is good for a 20th century economy. But in Grenada we have some 18th and 19th century ailments," explained Mr Pitt. "That part of the tax reform package is very complicated. The retail system in Grenada is not very developed and most Grenadian businessmen are small shopkeepers. VAT is proving very expensive to administer."

The Grenadian business community has traditionally been afflicted by problems of poor infrastructure. Air transport was limited to a small airport on the east coast across the island from the capital. Problems have been eased with the completion of an international airport just outside St George's.

Electricity supplies have been improved and the telephone system benefited from suppliers' credits from Canada. The Prime Minister said water supplies have also been made more reliable.

Grenadian businessmen complain, however, that venture capital is not easily available, and that commercial banks are being much too conservative—a hangover from the economic uncertainty which prevailed under the previous administration.

Mr Alphonsus Antoine, a small businessman and a government senator, complained that the banks are reluctant to give short-term financing for small business.

"It is much easier for business to get short-term money from the banks," Mr Antoine explained. "This creates a serious problem for small business which is the sector with the greatest dynamism in Grenada today. Small business is the basis of the sector. It provides the majority of jobs and provides more jobs per dollar spent."

In an effort to give the lead to the private sector, the Government has been divesting state property on which the previous administration placed much emphasis, particularly land. This, the Prime Minister said, was being done "to eliminate the drain on public finances and, et the same time, maximise joh opportunities.

Canute James

Disorderly taxation

CONTINUED FROM PAGE 1

This year, however, it assumed wrongly, that the US would make up the entire budget deficit in much the same way as it has since the "rescue mission."

Washington, has, over the last three years, pumped in US$81m, much of it in budgetary support. Whether through the vegaries of Gramm-Rudman or dissatisfection with the pace of fiscal reform, hudgetary assistance this year is limited to EC$10.8m. That sum was made conditional upon Grenada's approaching the World Bank for appraisal of the investment and economic programme, and the International Monetary Fund for a structural adjustment facility of EC$8.8m.

The haphazard introduction of the new tax legislation is held to blame for much of the budget shortfall. Under the reform, myriad levies were removed, including those on income, exports, consumption and hotel occupancy.

They were replaced by a blanket 20 per cent value added tax on locally-generated goods and services in an effort to boost prodnction and investment.

The VAT has not led to much higher prices, given the removal of all the other taxes, and has met with hroad approval. Grenadians had been among the most highly taxed populations in the world, paying nn to 65 per cent on incomes and 55 per cent on imports.

The manner in which the changes heve been introduced, however, has come in for some heftv criticism.

The Government bed given only a month for their implementation and had not thought the process through thoroughly enough. Amendment after amendment followed. Many items were made exempt due to political pressure, and the Government has only just worked out how to impose VAT on banks and insurance companies. Almost a year after its announcement, a new land tax has still to be imposed.

Grenada — external grants to Central Government
(in East Caribbean $m)

	1981	1982	1983	1984	1985
Total grants	34.9	45.0	34.6	68.7	81.1
Current grants	0.9	2.6	3.2	28.6	19.5
Algeria	0.9	2.6	2.7	0.0	0.0
STABEX	0.0	0.0	0.5	5.4	1.5
USAID	0.0	0.0	0.0	23.2	18.0
Capital grants	34.0	42.4	31.4	40.1	61.6
CIDA	0.0	2.5	4.0	4.8	7.8
EDF	4.0	1.0	1.2	2.7	2.4
USAID	0.3	1.7	0.0	31.0	47.6
Cuba	18.9	32.8	21.1	0.0	0.0
o.w.: airport	14.0	26.0	18.8	0.0	0.0
Syria	3.2	0.0	0.0	0.0	0.0
Libya	0.8	0.0	0.0	0.0	0.0
Iraq	2.9	0.0	0.0	0.0	0.0
USSR	3.8	0.0	4.0	0.0	0.0
German Democratic Republic	0.0	4.1	0.0	0.0	0.0
Other	0.9	0.3	1.1	1.6	2.8

Source: Ministry of Finance; and mission estimates.

Government revenue and expenditure

	1981	1982	1983	1984	1985
Central government			% of GDP		
Current revenue	31.4	34.4	36.6	36.0	38.6
Current expenditures	32.1	33.1	33.5	35.6	37.9
Current surplus/deficit	−0.7	1.3	3.1	0.4	0.7
Budgetary grants	0.4	1.2	1.4	11.8	7.5
Current balance	−0.3	2.5	4.5	12.2	8.2
Other public sector (net)	0.0	1.2	3.2	3.0	3.0
Current balance public sector	−0.3	3.7	7.7	15.2	11.2
Capital expenditure	37.1	49.2	42.6	27.9	31.4
Overall balance	−37.4	−45.5	−34.9	−12.7	−20.2
Financing	37.3	45.5	34.9	12.7	20.2
External grants	16.9	19.6	14.1	16.6	22.7
External borrowing (net)	19.4	10.1	18.0	3.4	−2.3
Domestic borrowing (net)	1.1	15.6	3.2	−7.0	−2.6
Others (net)	−0.2	0.2	−0.4	−0.3	1.4

Source: Grenada Statistics Office and World Bank estimates.

The repeal of most taxes happened before the mechanics of operating the VAT had been sorted out. Some of them were removed retroectively. The ending of hotel occupancy, for instance, cost the Governmant EC$10m, and a further EC$7m was lost through the retroactive removal of corporate tax (of up to 50 per cent) which bas been replaced by a husiness levy of 15 per cent on all net profit.

Mr Herbert Blaize's Government plans to make up the gap by deferring obligations to Libya and East Germany and by suspending contributions to regional and international institutions.

According to Mr Laureston Wilson Jnr, the Director General of Finance, further approaches will be made to Washington for extra assistance to "protect the government's credibility."

At present, though, overall US aid is set to drop next year to about US$10m and it is expected to be confined to that level of reach of the next two or three years.

All capital aid projects—concentrated un agriculture and tourism — have heen funded in the last three years by foreign donors. The People's Revolutionary Government of Mr Maurice Bishop also maintained a high degree of confidence among the western donors, and Sir Eric Gairy's dictatorial adminstration succeeded in attracting quite large sums of foreign aid that started to decline only when his eccentricity reached the international stage of the United Nations.

Despite the reliance on foreign assistance and complaints ebout the slowness of the Government's reforms, there is no doubt that life has improved dramatically since the last terrifying days of the Bishop regime.

Vast acreeds of bureaucracy have disappeared; tax on foreign exchange has been reduced from 5 to 2 per cent; and quota and price controls have been lifted from most goods.

Farmers, who eccount for 40 per cent of the country'a foreign exchange earnings, are being paid attractive prices aligned with improved world prices, and are getting the sort of attention that should be conclusive to better and more diversified production.

Expatriate Grenadians—there are 500,000 of them, though only 93,000 on the island—have started to return and invest, mostly in small botel projats and house-building.

The tourism sector, upon which tha country has pinned its hopes for quick returns, is growing slowly but soundly with few grand projects un the boards.

Grenada's basic infrastructure has improved, too, now that resources have been diverted from the largely Cuban-built airport at Point Salines which was completed with US funds.

A Canadian-funded project to instal a new telephone system is due to begin this month and be operable by the middle of next year. Electricity supplies are much more reliable than in the past, and large-scale investment is being made in water supplies.

Acres of factory space has been built; but, so far, foreign investment has been slow to materialise, with only four major foreign concerns enticed, despite all the tax hreaks. The expectation is that, once the communication problem—and it *is* severe—is solved, foreigners will show more interest.

The Government is looking particularly to the US textiles industry which wants to switch from the Far East to the Caribbean for labour-intensive operations that would not antail the sort of quota fraud it is experiencing.

On tha domestic front, the new tax legislation has led to much higher local investment, with private companies expanding their range of interests rather than handing the extra income over to its shareholders.

There are plans — but not much action — to put much more of tha economy into the hands of the private sector. Twenty-six state corporstions are on the privatisation list, including two banks.

The most important and immediate element in the scheme, bowever, is the divestiture of 3,000 to 3,500 acres of land confiscated in tha Gairy and Bishop years. It is to he carved up into lots of between five and 10 acres and handed over to agricultural workers and small farmers. It remains to be seen whether the programme will succeed in attracting young people from the capital to the land in an unemployment environment of between 25 and 30 per cent.

Stephanie Gray

Agriculture

Elevating the farmer

THE GRENADIAN Government will ensure that farmers are respected in the country, declared Mr George Brizan, the island's Agriculture Minister, last month at a rally to mark National Farmers' Day.

"We want to make sure that the farmer earns as much as a bank manager or any government official," said Mr Brizan, one of the favourites to succeed the ailing Prime Minister, Mr Herbert Blaize, and a brief member of the murdered Prime Minister Maurice Bishop's People's Revolutionary Government.

● The plight of nutmeg—page 4 of this survey

The agricultural sector accounts for 25 per cent of gross domestic product and between 60 and 70 per cent of exports which in total last year amounted to EC$58.9m foreign exchange. More than 56,000 of the 93,000 population rely in whole or in part on agriculture.

Producer prices for nutmeg have risen by almost 150 per cent over the past year, partly as a result of a poor harvest in Indonesia, which produces 75 per cent of the world's supplies—Grenada accounting for the remainder—and partly because of a pricing agreement between the two countries that sets a minimum of $6,000 a tonne for the highest grades.

Output of mace, associated with nutmeg, has fared badly because of poor husbandry of a crop which requires little in the way of maintenance. It, too, is expected to pick up as a result of the Indonesian arrangement and the recent repeal of export duties on all the traditional crops.

Producer prices for cocoa and banana have also been raised—more, however, as a result of the Government's big agricultural push than of better world prices.

Both crops have been subject to neglect over many years, the output of bananas falling by 10 per cent a year since 1978 due to declining prices, maturation of plants, low levels of fertiliser and pesticide application, poor post-harvest methods and a shortage of labour.

Things have improved dramatically recently with the introduction of field packing.

Cocoa has a similar recent history and is regarded as the "sick baby" of the sector. Earnings from cocoa fell by 59 per cent from EC$37m in 1979 to EC$11.8m in 1984.

The New National Party Government, naturally enough, lays the blame for the poor agricultural performance at the doors of both the dictatorial government of Sir Eric Gairy in the 1970s and the People's Revolutionary Government that overthrew him in March 1979.

It is true that the land confiscations that went on under both regimes seriously eroded farmers' morale and confidence. Under Mr Maurice Bishop's revolution, it is argued, infrastructure, in the way of feeder roads particularly, was neglected in favour of the largely Cuban built international airport at Point Salines; and young people who could have tilled the soil found a more glamorous life toting an AK-47 in the People's Revolutionary Army.

The decline had also to do, though, with the world slump in all commodity prices in the early 1980s, and with the appreciation of the US dollar, to which the local currency has been linked since 1976.

For all that they rail against the Bishop administration, many of the NNP's agricultural policies are extensions of those contracted by their predecessor who, despite the Marxist rhetoric, had obtained a high degree of confidence among the western donors who backed their schemes.

One such policy is the agricultural rehabilitation and crop diversification project, negotiated with the International Development Association of the World Bank and the Caribbean Development Bank. Another is the Cocoa Rehabilitation Project, negotiated in 1982 with the Canadian International Development Agency (CIDA).

CIDA's latest plan advocates the merging of the Grenada Cocoa Association (the farmers' body) and the Rehabilitation project—a move that would end duplication and bring more efficient management to the industry.

At the same time, the US Agency for International Development (USAID) is sponsoring a sort of quick fix for cocoa by concentrating extension facilities on the most successful producers.

USAID is also involved in an original NNP campaign to divest itself of its inherited state land holdings.

Between 3,000 and 3,500 acres of land tied up in 25 state farms will mostly be turned over to agricultural workers and small farmers in five to 10 acre plots. Lease payments will be made annually to buy equity in the smallholdings, and the Government is to provide roads, drainage, fertilisers and marketing facilities. Long-term cheap loans will be made to the new farmers and advice given on choice of crops, the emphasis being on food crops under the diversification scheme.

The present big thrust in agriculture is almost entirely funded by foreign aid, and the financial incentives have so far failed to lure new farming blood out of preferred occupations in the law—one small street in St George's boasts 12 legal offices—or less ambitious taxi-drivers.

Foreign aid, contrary to many Grenadians' expectations, will not be there forever, and the Government will have to persuade the majority of the working population that agricultural work is indeed no humble way of life.

Stephanie Gray

Politics

Discord threatens the coalition

THERE ARE today only a few visible scars of Grenada's recent political turmoil—a small aircraft with Soviet markings, the gutted remains of what was the prime minister's office, a protracted trial of members of the former government and army officers, most of whom were found guilty last week of murdering former prime minister, Maurice Bishop.

"We are the first country ever to have been seized from the grasp of communism," claims Mr Herbert Blaize, the Prime Minister. "Usually once you get in you stay in."

Mr Blaize took office two years ago after a coalition of three conservative parties, the New National Party, had scored a handsome win in general elections. The vote marked the end of a traumatic decade for the island—a period which saw the overthrow of the increasingly dictatorial administration of Sir Eric Gairy in 1979 by the leftist New Jewel movement led by Mr Bishop, who then became Prime Minister.

Differences between the marxist and moderate factions of his ruling People's Revolutionary Government led to Mr Bishop's house arrest in October 1983, and his subsequent death.

The military-civilian junta which took over was toppled a few days later by a US military invasion, with a token force from neighbouring commonwealth Caribbean countries. A caretaker government ran the country for 14 months until the election.

Mr Blaize, who was himself a member of parliament for the opposition People's Alliance led by Mr Bishop, disagrees with some aspects of the interpretation of Grenada's recent history. "There was no invasion by the US," he contends testily. "It was a rescue mission. We called for help and help came. The country was under house arrest, under curfew."

The US poured aid into the island. It completed the controversial international airport at Point Salines, which had been about two-thirds finished when Mr Bishop's government collapsed.

The airport, for which the Cuban government provided workers and heavy equipment, and on which US and British companies had worked, with the British government guaranteeing export credits, was said by Washington to have been planned as a Soviet-Cuban base. But according to Mr Bishop then, and members of Mr Blaize's administration now, the airport was vital to Grenada's effort to develop a viable tourist industry.

Mr Blaize argues that the NNP administration has brought economic and political stability to the island after years of tension and uncertainty during rule by Sir Eric's Grenada United Labour Party and the PRG. But there are dark clouds on Grenada's political horizon.

"The rumour mill has began to churn out the disquieting news regarding some dissension within the government ranks," says Mr Andre Cherman, president of the Hotel and Tourism Association. "Grenada cannot afford to return to instability and confusion. We were promised political stability. We expect no less."

The discord which threatens the ruling party is rooted in the manner of its formation. On the eve of the December, 1984 election, Washington and Grenada's neighbours were concerned at the likely re-election of Sir Eric, whose autocratic disposition was regarded as the basis for Mr Bishop's popular support in the 1979 coup.

Mr Tom Adams, the late Prime Minister of Barbados, and Mr James Mitchell, Prime Minister of St Vincent, managed to get Mr Blaize's Grenada National Party, and two others led by Mr George Brizan and Dr Francis Alexis to sink their differences and create the NNP.

The coalition took 14 of the 15 seats in the Assembly, but Sir Eric's Grenada United Labour Party (Gulp) took 36 per cent of the votes with a handful going to the rump of the PRG which contested as the Maurice Bishop patriotic movement.

Apparent unity was shattered this year with public squabbles between Mr Brizan and Dr Alexis, after the latter had been elected deputy leader of the party. Both have, however, resolved their differences in what now appears to be an effort to unseat Mr Blaize.

At the NNP convention at the weekend, however, Mr Blaize strengthened his position as the party leader and retained his Deputy Prime Minister, Mr Ben Jones, as deputy leader of the party, Mr Jones having beaten Mr Brizan in a vote.

Yet, even though a united front appears to have been secured for the moment, diplomats still maintain that there is disenchantment within the Government at Mr Blaize's rather autocratic rule.

"What we are doing is making constructive criticism, which is basic to stability," explains Mr Brizan. "Those around Sir Eric said nothing, and the situation got worse. If they had spoken the situation would have been different. The same thing happened in the PRG. One cannot be a lackey or one will contribute to political instability. Those who do not act are the ones to be sacrificed."

Mr Blaize denies that the administration's integrity is threatened. "We came together as one party out of three, and immediately formed the government. We cannot become of one mind in just a week or two, and the normal growing pains of a new party are there. Certainly there are problems, but the members recognised that we are the only answer to the country's problems.

"We are going to have the same party—maybe not with all the members, but jolly well enough to maintain the integrity of the Government."

The *eminence grise* of Grenadian politics hovers in the background. Sir Eric, a firm believer in UFOs, led the Government for 12 years before he was overthrown by Mr Bishop. Sir Eric's administration became increasingly repressive, with political opponents terrorised by gangs supporting his party. In the 1984 election his Grenada United Labour Party took 36 per cent of the votes, but got only one seat.

"This has been the worst of all governments which this country has had," Sir Eric claims. "The Government is weak and wicked. They are weak because they are trying to cut each others' throats. There is no unity; no co-operation." He has started working towards next year's local government elections, and says that much of the NNP's support of two years ago has come over to his party.

Canute James

Fedora in a storm

• **PROFILE:**
Mr Herbert Blaize

BY ANY standard, Mr Herbert Blaize, Grenada's Prime Minister, is conservative—arch-conservative say some detractors, including dissenters within his New National Party.

"Communism kills," he says. "There is no question about it. This has been proven in Russia since 1917. They kill everyone until they get a few left in control." This, in essence, represents his political outlook.

His philosophical outlook is reflected as much in the close relation his administration has with the US as it is in his manner of dress—conservative grey, usually topped by a grey fedora.

Yet Mr Blaize's political history contains a chapter of links with the Left. In the late 1970s he was a member of the parliamentary opposition People's Alliance, led by Mr Maurice Bishop, the socialist who led a coup in 1979 overthrowing Sir Eric Gairy.

It was, say members of the current administration, more a matter of political convenience to create a broad front against Sir Eric, rather than ideological confusion on the part of Mr Blaize.

At 68, and ailing, Mr Blaize's involvement in Grenadian politics goes back 29 years, since he was elected representative for the Ward Islands of Carriacou and Petit Martinique for the Grenada National Party.

His first taste of political administration came as Minister of Trade and Production for three years to 1960, after which he began his first stint as head of government. He returned to the top again between 1962 and 1967.

During the 12 years of Sir Eric Gairy's Grenada United Labour Party rule from 1967, Mr Blaize was a member of the Opposition. But with the overthrow of Sir Eric in 1979, the constitution was suspended by Mr Bishop's Peoples Revolutionary Government, as was the Opposition.

Concern in Washington and neighbouring Caribbean countries about the political future of the island followed the US invasion, which toppled the military/civilian junta, that had taken power after Mr Bishop's death. Mr Blaize, heading a three-party coalition, won election handsomely as the New National Party.

During nearly three decades in Grenada's politics, Mr Blaize, a solicitor, has played a central role in the island's political development. He led the island delegation to London in 1967 to negotiate with the British Government for self-government. Mr Blaize was back in London six years later, as head of the opposition delegation, for constitutional talks on independence.

The Prime Minister now has to contend with a small storm within the leadership of the NNP, as he has been at odds with leaders of the other parties making up the coalition. The differences have been less about policy than style of leadership. It is too autocratic, his critics say, while charging that he is allowing too high a profile to his NNP colleagues at the expense of representatives of the other parties.

His detractors also argue that he has taken on too much of the country's administration. In addition to being Prime Minister, Mr Blaize also holds the finance, security, home affairs, information, planning, trade and industrial development portfolios.

Mr Blaize is confident that he can ride the storm. He says there is no alternative in Grenada to his government, and prides himself on heading the administration in a country which he says is the first to be snatched from Communism.

There are, however, increasing questions about his ability to continue in office. He travels frequently and for long periods to the US for medical treatment on what is reported to be prostate gland problems, but which is widely held in Grenada to be cancer.

Mr Blaize clearly has no intention of stepping down. The NNP, he says, will take control of local government in elections next year, and will take the majority in the next general election.

"There is a lot of bitterness in Grenada, as there would be in any country which was under Communist domination," he says. "We trust that with reconstruction we will have reconciliation."

Canute James

Jewel in waiting

• **PROFILE:**
Mr Kendrick Radix

WHEN HE returned home 18 years ago, after completing legal studies at university college, Dublin, Mr Bernard Kendrick Radix threw himself into Grenadian politics—particularly into efforts to oppose the spreading autocracy of Sir Eric Gairy, then the chief minister.

Since then, Mr Radix has experienced maulings by Sir Eric's political thugs, imprisonment for his opposition, the challenge of ministerial office, the death of his close friend, former prime minister Mr Maurice Bishop, and rejection by the electorate.

Mr Radix heads the remnant of Mr Bishop's New Jewel movement which, as the Maurice Bishop Patriotic Movement, was humbled in the general election two years ago, with many candidates losing their deposits.

"The problem with the MBPM ist not with Mr Radix or what the party stands for," said one small businessman who once supported Mr Bishop, but who refuses to be named, saying he still fears for his safety.

"Young people may still want to support the socialists, but they are likely to compare Mr Bishop's appealing charisma to the more dour approach of Mr Radix. And Grenadians have long memories. They still associate the death and mayhem of the fight in the Government and of the United States invasion, with the socialists."

But Mr Radix's attempts to offer Grenada another socialist government are unlikely to be deflected by such observations. He points to the discord within the ruling conservative New National Party, and describes the administration as a "millstone" around the necks of Grenadians, and as the "worst" government in the island's history.

Mr Radix sided openly with the more moderate pro-Bishop faction when the Marxist element of the People's Revolutionary Government took control of the country just before the United States invasion in October 1983. That he should have stood beside Mr Bishop was not surprising.

It was Mr Radix and Mr Bishop who, in 1970, started the movement for the assemblies of the people (MAP), to encourage discussions of political alternatives for Grenada. Three years later, they joined forces with Mr Unison Whiteman, leader of the Joint Endeavour for Welfare, Education and Liberation (Jewel), to create the New Jewel movement, the seed which grew into the socialist party that overthrew Sir Eric six years later.

For his pains, Mr Radix suffered, in common with many who opposed Sir Eric, frequent beatings by party political gangs and equally frequent periods of detention.

Now practising as a lawyer in St George's, Mr Radix's criticism of the Government suggests policies likely to be adopted by an administration formed by the MBPM. He speaks of the undoing of programmes which were put in place during "the revolution," of "excessive profits" by businessmen, and the removal of controls on the prices of basics such as eggs, bread, flour and chicken.

Canute James

The magnetism is undiminished

• PROFILE: Sir Eric Gairy

IN THE years that Sir Eric Gairy, Grenada's eccentric former prime minister, was in exile in the US, he conducted courses in "personal magnetism."

It is a quality that he still exerts from his big pink colonial house, in its prominent position just down the road from the Governor General's residence, overlooking St George's Harbour.

Peasant farmers walk long distances to see him there. His weekly newspaper, the Grenadian Guardian, is compiled in a backroom there; and his burly bodyguard vets all comers at the big stiff iron gate to the garden there.

Sir Eric, the *bete noire* of the Caribbean in the 1970s, is rarely seen on the streets of the capital, but nobody doubts the effect of his "personal magnetism," even now.

In the general election that followed the November 1983 invasion by US troops—precipitated by the murder of Mr Maurice Bishop, the man who overthrew Sir Eric in 1979—his party, the Grenada United Labour Party (GULP), took 37 per cent of the vote.

If the three parties that now make up Mr Herbert Blaize's New National Party Government had fought the election separately, Sir Eric's party would have won.

It was a prospect that was altogether too clear to both the Americans and to Grenada's neighbours, and it was the precise reason why they urged the three other parties to marge.

It is difficult to imagine how Sir Eric, now 64, a self-edncated man from a poor rural background, maintains any popularity at all, given what amounted to a corrupt and often brutal dictatorship that developed after be took Grenada through independence in 1974. He confiscated large tracts of land and ran a gang of thugs — the "Mongoose gang" — who regularly thrashed his opponents.

Accused of "squandermania" under the colonial administration, a commission of inquiry found Sir Eric guilty of spending official funds on, among other things, furnishings for his home, a baby-grand piano and radiogram. He turned the issue to his advantage, representing the commission as a collection of men who did not want blacks to have radiograms, pisnos or decent housing. Humble Grenadians loved him for it.

They loved his glamour and his womanising cockiness, and felt that he bad put Grenada on the international stage with his annual Easter yacht regatta and his appearance on the judges' panel of the Miss World contest.

Governments represented at the United Nations, however, felt rather differently about him. He was friends with Haiti, South Korea end Chile who helped him equip his own private army, the Grenada Defence force, or "Green beasts."

By the mid-to-late 1970s, his financial irresponsibility had become more apparent; end his advocation at the UN of a special committee to investigate unidentified flying objects seriously tested his credibility.

Sir Eric feels that his interest in UFOe was blown out of proportion. "I spoke about UFOs three times at the UN, and I talked about God seven times. No one says anything about that."

He denies the jnbilation that greeted his overthrow by the Marxist Maurice Bishop, claiming that pictures of cheerful people in the streets of St George's were all "fixed."

While clearly untrue, the memories of many Grenadians have been dimmed by the years of ever more extreme government by Mr Bishop, and it would be a fool who dismissed the man'a chances of ever leading his country again—even if that time is a good way off yet.

He bas already started campaigning for the next election—not due until 1989—under the slogan: "We've tried the rest and returned to the best."

Stephanie Gray

Sir Eric delivering his "UFO" speech to the UN General Assembly in 1977

The nutmeg

Cartel helps to boost revenues

NUTMEG IN Grenada is known as "the pension tree." Once it reaches maturity, there is not an awful lot the farmer needs to do except harvest the crop.

Nevertheless, production has suffered the same neglect as the other two traditional crops, cocoa and bananas, over the past 10 years.

Lack of confidence among farmers under the governments of Gairy and Bishop was one of the factors which contributed to the decline. The appreciation of the Eastern Caribbean dollar (linked to the US dollar) was another contributor, as was poor marketing, as Grenada competed with Indonesia, the world's largest supplier.

A contract negotiated by the revolutionary government of Mr Maurice Bishop to sell 500 tonnes of nutmeg to the Soviet Union over five years was scuppered by US intervention on the island in 1983 after only one shipment.

It is said that President Reagan, inquiring what the small nuts were lying on his desk, was told that they were "what we were fighting for in Grenada." Nutmeg is the country's highest single foreign exchange contributor, bringing in 30 per cent of export earnings.

Sales of nutmeg and mace, the more highly prized joint product, fell from EC$16.1m in 1978 to EC$8.4m in 1984. Exports rebounded quickly, however, rising from EC$12.4m last year to EC$20.7m in 1986.

Producer prices for nutmeg have risen from about 30 cents a pound in the early 1980s to EC$1 a pound this year. Prices for whole mace, where the market bas remained firm, have risen from EC$2 a pound last year to EC$3.52 this year. Mr George Brizan, the Agriculture Minister, was recently able to announce a EC$5m Christmas bonus for nutmeg farmers.

Last year's recovery meant that inventories in Indonesia, which provides 75 per cent of the world's production, and Grenada (providing the remainder) bave been liquidated.

A poor harvest in Indonesia this year has further raised prices, and an agreement—basically a cartel—between the two countries has also boosted short-term performance.

Each side bas agreed that its highest grade nutmeg will not be sold for less than $6,000 a tonne. The price for high-grade whole mace has been set at $13,500 for Indonesia and $11,500 for Grenada.

Mr Brizan puts the surge in the world market down to the use of nutmeg and mace as a substitute for salt in an age of healthier foods.

While the harvesting of nutmeg is fairly straight-forward—the farmer merely waits for the fruit to fall from the trees—there have been major losses of mace, the red lacy substance that surrounds the nut. More frequent gathering is being advised to save the substance before it disintegrates. With vastly improved prices, this should stimulate production.

A further incentive has been the removal this year of an 18 per cent export tax on both commodities.

The Government, in an effort to add value to their produce, plans to establish a nutmeg oil distillation plant in conjunction with the Belgian company, Sotechna, which distils 22,400 lb of oil for production of pharmaceuticals, beverages, livestock feed and preservatives.

It is also embarking on a project expected to use 20m lb of nutmeg pods in the manufacture of jams and jellies at a plant near Grenville on the island's east coast.

Stephanie Gray

Tourism

Airport shows up hotel paucity

Saturday market in St George's

FOR A country desperate to improve its weak economy, Grenada's new international airport is a godsend for the tourist industry. Governments, past and present, have argued passionately about the need for an airport to exploit potential.

Ironically, the airport could present tourist administrators with an embarrassing problem when two jumbo jets land with occupants who want to stay somewhere overnight.

"We would have some difficulty in putting all of them up," said Mr George Brizan, the Minister of Tourism. Grenada has less than 700 hotel rooms, and consequently has encountered problems in convincing international airlines that it is worth operating scheduled services.

"Our major need is for increased air services to Grenada," explained Mr Brizan. "The second priority is to expand hotel capacity, but clearly the two go hand-in-hand."

Mr Andre Cherman, president of the Grenada Hotel and Tourism Association, says the lack of adequate air services was both "disappointing and frustrating" and did nothing in terms of building confidence in Grenada as a destination.

"We urge that government, as a matter of priority, look at ways of encouraging additional air services to Grenada to solve this serious problem. We cannot build a tourism industry with undependable airline services," he said.

But the Government and hoteliers are determined to give the industry what it needs. New Grenada Airways and BWIA of Trinidad operate scheduled international services, while Dr John Watts, chairman of the tourist board, says British Airways will operate a scheduled service to Grenada from London starting early next year.

The first step in expanding the island's limited hotel capacity was made earlier this year with the reopening of one of the larger properties leased by the Ramada chain of the US. With the addition of the 196 rooms, the island's capacity jumped by 49 per cent.

"New local investors and existing hotels added 80 rooms last year," Mr Cherman reported, "and a further 186 rooms are under construction."

Mr Brizan explained that the local hoteliers had been leading the way in expanding room capacity while prospective foreign investors hesitated.

"While the local hoteliers have been doing most work, the Government has been providing a range of incentives and making land available for development."

Despite the problems the industry faces, there is evidence that it is grabbing the opportunity to rebuild a sector of the economy which was depressed by the recent political turmoil. The volume of stayover visitors last year reached 52,000 against 39,400 in 1984.

"In the first nine months of this year there were 43,995 stayover visitors compared with 33,516 for the corresponding period of 1985," Mr Cherman said. The Government is projecting average annual growth in arrivals of 16 per cent for the next four years, and has set a target of a minimum 75,000 stayover visitors per year by 1990.

The island is also recording growth in cruise ship arrivals with 174 ship calls last year, more than twice that of 1984. It is aiming for 250 calls per year by 1990. Between January and September this year 154 ships called, 14 per cent more than the corresponding period of last year. Cruise passenger volume grew to 77,630 in the first nine months of the year.

Growth in volume of arrivals is reflected in increased earnings which last year rose to EC$65m (US$24m) from EC$48m. Estimated earnings between January and September this year were EC$55m.

But these figures mask serious problems for the industry. The average room occupancy rate last year was 41 per cent. "This is a very low rate and it cannot provide the basis for a viable industry," said Mr Eamon Keane, advisor to the Caribbean Tourism Research and Development Centre.

"Thirty-two per cent of the visitors are from neighbouring Trinidad and Tobago, and 65 per cent of Grenada's tourists last year stayed in non-hotel accommodation."

Despite this, Mr Keane, believes Grenada has significant potential for developing its tourist industry once it can deal with the problems of air services and hotel capacity.

"We now have political stability and the airport has been completed," the tourist board chirman said. "But we cannot attract the large hotelier unless we have the air services. And we also need more money for a more aggressive marketing programme in the US, Canada and Europe."

Despite the drive to increase volumes, however, the Grenadian industry is concentrating up-market in its new hotels. The Government is wary of over-commercialising the industry, and skyscraper properties will not be allowed and none will have more than 250 rooms.

"We are seeking careful, controlled development and we are not going in for the mass market," Dr Watts explained. "But we have just started to scratch the surface. We have 47 ideal beaches and only one has been developed."

Canute James

SOUTH AMERICA

Investment in Brazil slows down as price controls begin to bite

BY ANN CHARTERS IN SAO PAULO

A RECENT flurry in Brazil over higher than usual repatriation of capital and dividends by foreign companies has caused the government to launch an investigation into the flight of capital and the Brazilian press to cry "foul."

Repatriation has been rising for a variety of reasons, only some linked with Brazil's economy and politics, but the controversy has overshadowed a far more serious problem.

The issue pales in the face of the disturbing fact that Brazil this year has failed to attract its normal inflow of risk capital. According to central bank statistics, only $220m in net foreign investment has been registered in the first nine months of 1986, compared with an annual average of $1bn over the last several years.

Much of what is counted as foreign investment are capital goods and conversions, or loans, not actual cash. Deducting transfers to Brazilian operations abroad of $150m, net investment for the first nine months totals only $70m.

The change in investment behaviour is a concern because net inflows of capital are declining just as Brazil's monthly trade account surpluses are shrinking. This is putting more pressure on the country's foreign exchange reserves, recently reported at around $4bn, down from $9bn at the end of last year.

Granted, 1986 is a highly politicised year with last month's national elections giving the government a landslide endorsement of its economic policies. The year could prove a watershed in Brazil's struggle to control inflation, but costs have been rising as prices continue to be frozen, squeezing margins in many industries that no longer have idle capacity available to increase volumes.

So few corporate strategies would find the timing propitious for investing new capital. The wait-and-see attitude is particularly characteristic of companies considering setting up operations in Brazil.

Japanese companies, especially keen to invest abroad following the strengthening of the yen, have for years regarded Brazil as a good market. Official Japanese central bank figures show $4.6bn in risk capital in Brazil, making it the fourth largest site for Japanese overseas investments, after the US, Indonesia and Panama (the latter for ship registrations).

A leading Japanese banker in Sao Paulo said new investment from Japanese companies is now suspended, not only because of the uncertain political and economic climate with its unfavourable price controls, but also because of more restrictive policies towards foreign investment.

Recently, a Japanese cable manufacturer reportedly was barred from bidding on new trolley bus cables in Sao Paulo as the National Development Bank (BNDES) qualified only Brazilian companies. The Japanese banker cited instances of Cacex, the foreign trade agency, granting import licences to Brazilian, but not foreign companies, for electronic parts and other products.

A worrying element of such complaints is that the differing treatment for foreign companies is not written in any law, or clearly indicated in regulations, but occurs as part of what appears to be a growing nationalism. The Japanese banker said the current situation is like starting a soccer match and being told halfway through the game that the foreign team's players are no longer permitted to head the ball.

A similar theme is echoed in concerns within the German-Brazilian Chamber of Commerce. Reinvestment is high among companies present in Brazil, particularly in the chemical sector, but there is little fresh money coming in.

Mr Horst Brendel, assistant chamber manager, said German overseas investment was now directed more to the US and Europe. Among developing countries, Brazil has slipped to second place behind Mexico in attracting new investments.

Restrictive practices in the transfer of technology, difficulties with import licences, and changes in interpretation for profit remittance—now based on a company's industrial activity alone rather than its total business presence—are a few unwritten administrative practices that affect the business of foreign companies and lead potential investors to question their welcome.

German investment in Brazil ranks behind that of the US, ranked first, but ahead of Japanese companies. Total foreign capital investment stands at $25bn.

Brazil can ill afford another year of uncertainty, but this could be difficult to avoid in 1987 when the newly-elected National Assembly will start writing a new constitution.

A high-ranking official in the Ministry of Planning said the government realises this, and intends to have items dealing with foreign investment and banking pass through committees first and be defined quickly so that the "handwriting on foreign investment" is clear.

Mr David Benadof, president of the American Chamber of Commerce, said Brazil cannot expect new capital unless something is done about price controls, which have affected many industries for two years, and what he called "new phantom of market reserves." The real impact of talking about extending markets reserved for Brazilian companies from information technology along to other areas hits at investment, not at trade, "where everyone is looking."

The repatriation of capital this year is thought to be within normal limits, although higher than in recent years at an estimated $1bn.

Exporters appreciate value of a rising yen

BY YOKO SHIBATA IN TOKYO

JAPANESE electric appliance makers are disposing of loss-making overseas subsidiaries in rapid succession, in sharp contrast to other export-led manufacturers which are setting up overseas units to avoid the same appreciation of the yen. The former claim that the rising yen substantially trims disposal losses at overseas subsidiaries, after conversion.

Clarion, a car audio manufacturer, made a Y10bn ($61m) write off on the liquidation of its US pay-TV subsidiary in the year to September. Akai Electric, and Aiwa, meanwhile, are liquidating US and European subsidiaries. With a strong yen, increasing numbers of export-oriented corporations are expected to resort to similar means to remove unprofitable overseas units to improve their financial position.

Clarion wrote off a total of Y19.75bn including the US pay-TV subsidiary. It launched the pay-TV venture in 1973 in California, in order to diversify.

"Thanks to the yen's appreciation, the company was able to slash its yen-denominated liquidation loss by Y4bn," said Mr Yutaka Oyamada, Clarion president.

The company reported pre-tax profits of Y1.8bn, down 17 per cent, and a net loss of Y9.05bn, against net profits of Y0.71m in the previous year, on turnover of Y124.29bn, up 4 per cent from the previous year.

Akai Electric has closed its sales subsidiary in Sweden and Denmark in the first half to May, and disposed of two North American subsidiaries—Akai America and Akai Canada.

Akai is expected to stay in the red for the full year, with pre-tax losses of Y6bn against losses of Y7.09bn previously.

Aiwa disposed of sales units in Norway and Australia which incurred substantial losses, and is itself expected to tumble into a pre-tax deficit of Y8.2bn in the year to November following profits of Y1.13bn in the last full year.

Fujitec, Japan's leading maker of elevators, wrote off Y14bn in unrecoverable debts incurred on its US Ohio plant, which started operating last summer. Fujitec posted a Y16.04bn net loss in the first half, compared with the previous year's profits of Y1.4bn. The loss was the first since the company was listed on the Stock Exchange in 1948.

Company Notices

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS

The following interim dividends have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 24 December 1986:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share (cents)
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	5	25
Doornfontein Gold Mining Company Limited (Registration No. 05/24709/06)	60	110
Driefontein Consolidated Limited (Registration No. 68/04880/06)	27	145
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	34	60
Libanon Gold Mining Company Limited (Registration No. 05/06381/06)	72	175
Venterspost Gold Mining Company Limited (Registration No. 05/05632/06)	93	120
Vlakfontein Gold Mining Company Limited (Registration No. 05/05155/06)	81	15

Warrants payable on 11 February 1987 will be posted on or about 10 February 1987. Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 24 December 1986 in accordance with the above mentioned conditions.

The registers of members of the above companies will be closed from 25 December 1986 to 2 January 1987, inclusive.

By order of the Boards
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs. G. M. A. Gledhill, Secretary

London Office:
St James's Square
London SW1Y 4AG

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

9 December 1986

MEMBERS OF THE GOLD FIELDS GROUP

ITO-YOKADO CO., LTD.
(CORs)

The undersigned announces that as from 16th December 1986 at Kas-Associatie N.V., Spuistraat 172, Amsterdam and at Banque Générale du Luxembourg S.A. in Luxembourg div.cp.no.32 (accompanied by an "Affidavit") of the CDRs Ito-Yokado Co., Ltd. will be payable with US$2.48 per CDR, repr. 5 Dep.Shs. of 10 shs each, US$24.80 per CDR, repr. 50 Dep.Shs. of 10 shs each, US$49.60 per CDR, repr. 100 Dep. Shs. of 10 shs each. (div. per record-date 08.31.86 gross Yen 9.5 p.sh.) after deduction of 15% Japanese tax = Yen 71.25 = $—.43 per CDR, repr. 5 Dep.Shs. of 10 shs each, Yen 712.50 = $4.30 per CDR, repr. 50 Dep.Shs. of 10 shs each, Yen 1.425.— = $8.60 per CDR, repr. 100 Dep.Shs. of 10 shs each.

Without an Affidavit 20% Japanese tax = Yen 95.— = $—.58 per CDR, repr. 5 Dep-Shs. of 10 shs each, Yen 950.— = $5.80 per CDR, repr. 50 Dep.Shs. of 10 shs each, Yen 1.900.— = $11.60 per CDR, repr. 100 Dep.Shs. of 10 shs each will be deducted.

After 03.31.87 the dividend will only be paid under deduction of 20% Jap. tax with $2.33, $23.30 and $46.60 net per CDR, repr. resp. 5, 50 and 100 Dep.Shs. à 10 Shs. each, in accordance with the Japanese tax regulations.

Amsterdam, 2nd December 1986
AMSTERDAM DEPOSITARY COMPANY N.V.

Public Notice

DEPARTMENT OF TRADE AND INDUSTRY
INSURANCE COMPANIES ACT 1982
NOTICE OF APPROVAL OF TRANSFER OF BUSINESS

NOTICE IS HEREBY GIVEN under section 51 (5) of the Insurance Companies Act 1982 that the Secretary of State, having considered an application from The Home Insurance Company for his approval of a transfer of certain general business to Cigna Insurance Company of Europe SA-NV, has approved the transfer.

Notice of the application was published in the London, Edinburgh and Belfast Gazettes and in The Times and Financial Times on 26 September 1986.

Department of Trade and Industry
December 1986

WINE

Nicholas Faith explains why Europeans are attracted to US vineyard ventures

More foreigners join California wine rush

MIGUEL TORRES, the Spanish wine maker, has just joined the dozens of other non-Americans who are now making wines of every description all over the US. Torres is joining the main-stream—in the Napa and other valleys north of San Francisco—which already produce America's most expensive wines.

Foreigners are by no means a novel phenomenon in the oarrow world of American wine-making. It was a Hungarian, Count Agostoo Haraszthy, who introduced the first grapes capable of making fine wines in California in the early 1860s. His winery, at Buena Vista in Carneros County, just oorth of San Francisco Bay, has receotly been restored by new owners—the German family firm of Moller-Racke. The pioneer of the recent flood was Robert-Jean de Vogue of Moet Henessey who built Domaioe-Chandoo to make sparkling wine 13 years ago.

Investment in land seen as the best way to find security

More than 40 other foreigners—individuals, families, companies, big and small—have now followed suit, forming one of the most startling but least-known international business phenomena of the 1980s. A year ago The Wine Spectator, an American specialist review, reckoned that foreigners had invested more than $500m in California alone—a figure which excludes some recent ventures. In addition there are numerous foreigners established elsewhere, from Virginia to New Mexico and from Oregon to Texas. In scale they range from huge investments by foreign multinationals like Nestle, Whithread and Suntory, to modest initiatives launched by individuals and partnerships between leading European and American winemakers.

Mr de Vogue, like other champagne makers, was anxious to escape from the limits imposed on the small area of French soil where champagne grapes could be grown. The $39m Moet invested has proved a bargain—sales, which started at 20,000 cases in 1977 are now well over the 300,000 case mark.

Moet's example has been followed by many other champagne makers. Piper Heid[illegible]k, always a major brand in the US, set up shop in the oearby Soooma Valley. Roederer is moving further oorth to the Andersoo Valley. Henry Bugatto, who is setting up Roederer's winery, expresses a commoo philosophy when he says: "We could go into the sparkling wine business in France, but we prefer to try to produce the top sparkling wine in California."

Andersoo Valley is a relatively new wioe-growing area, and the willingness to move outside established wine areas has proved a major weapon. The moves were not necessarily dramatic. Moet was one of the first to move a few miles south to Carneros, and was followed by Moller Racke. Many others have moved further away, south of Sao Francisco. Deutz & Geldermann, a smaller concern than Roederer, albeit one with an equally impeccable reputation for quality, is spending $8m on 870 acres near San Luis Obispo, south of San Francisco. (The much bigger Taittinger business is being relatively cautious. It is going into partnership with a rich American who owns several hundred acres in the Carneros).

Bolder spirits ignored California, investing in Texas, New Mexico and other hot regions. In Texas the university found that fine wines could be grown on the chalky slopes it owns north of San Antonio. Its ideas have been turned into commercial reality through a partnership with Henri Barnabé, a leading French ourseryman specialising in young vines.

The champagne concerns are diversifying. Many other investors are fleeing from the high costs in Europe—not to meotion threats of socialism and worse. In the late 1970s many rich Continental Europeans became convinced that the best way to find security in the US, the last and best bastion of capitalism, was by investing in American land. "The only opportunity is here," says Lou Gomberg, a veteran industry-watcher. "The outlook may be miserable, bot it's so much better than the rest of the world." This belief was not confined to Europeans. As early as 1972, Satasit Mahaguna, the owner of a Thai distillery, was buying land in the Napa. Those who chose land suitable for making fine wines have avoided the losses incurred by less selective investors who suffered from the fall of the dollar as well as the decline in the value of run-of-the-mill agricultural land.

To the Europeans the whole of the US formed one large Holy Land. Two Swiss investors, Vito Liso and Vincent Vuigner, have spent $9m in the past four years on a winery in New Mexico, where the land costs under $2,000 an acre, a tenth the price of land in the Napa. But evan the Napa compares favourably with Europe. Donald Hess, a Swiss eotrepreoeur who has spent nearly $8m on land and equipment there, says: "It may take 18 or 20 years to earn some money, but if oothing else the property will appreciate. We're io this business for the long haul."

Although none of the French investors will admit it, the movement west sharply accelerated after 1981 with the arrival in power of President Mitterrand at the head of the first French Socialist government for a quarter of a century. But even without political motives the sums added up. "The cost of land in France is unbelievable," says Francis Dewavrin, who used to run La Missioo Haut Brion, ooe of the finest estates in the Graves south of Bordeaux: "Eighty acres of prime vineyard land in France would cost about 600 per cent more than similar land in Napa. Besides, it takes you 50 years to buy 50 contiguous acres of Freoch land."

Moreover, agricultural labour in California is cheaper and more docile than in France. "The beauty of the vineyards, is that you pay workers by the hour and not by the mooth as in France," says Mrs Dewavrin. "Mexicans, dynamite and a good American supervisor are excellent resources, but Mexicans are such a fantastic asset. We couldn't do without them."

The end of the wine boom in the US provided an opportunity for the foreigners to pick up some big brand names. Seagram is the most obvious example (although it is so thoroughly naturalised that no-one thinks of it as a foreign group). It has long been established in California, making the Paul Masson wines popular in Britain.

Nooe of Seagram's wine businesses in the US has been especially profitable, but this has oot deterred the company. Last year it bought the wine interests of Coca-Cola, one of the many US companies, including Pillsbury and Beatrice Foods, which have abandooed the business. Seagram has also started to improve the quality of the grapes it grows by buying up Winery Lake, a pioneering estate in Carneros.

Similarly, Nestle has spent $10m in upgrading the Beringer winery it bought in 1972. "In my opinion," says Michael Moon, who manages Beringer, "Europeans are much more patient with their wine iovestmeots here than Americans are. Nestle is not in the wine business to make a lot of mooey in five years."

Suntory followed suit. After buying the Chatean St Jeao winery in 1984 for $40m it immediately spent a further $4m in capital improvemeots. Foreigners seized the poiot that in the long term, only quality wines could be profitable. This is perhaps most noticeable with Moller Racke. In Carneros it is producing fine wines. At home its fortune was founded oo less superior products, brandy rather than cognac, cheap Yogoslav plonk rather than claret.

The slump has not deterred oewcomers. Earlier this year Whitbread formed a consortium with Bolliger and the Marchese Antinori to make wines which will be sold by Julius Wile, a fine wine company bought by Whithread three years ago. And before it was swallowed by Guinness, Distillers paid $7m for the Coocannon vineyards in the unfashionable Livermore Valley east of San Jose.

However cheaply the grapes are grown, there still has to be a market for them. And the other half of the foreign equation is an ability to find a profitable niche in the market. Again Moet set the pattern, with Domaine Chandon priced midway between imported French champagne and the local fizz.

The characteristic pattern, however, is the partnership between foreigners and Americans. In the early 1970s Suntory, the Japanese distilling group, helped the Firestooe family finance a major vineyard in the Santa Ynez valley, halfway between San Francisco and Los Angeles.

Sometimes the foreigners bring in prestige rather than expertise. One of the most successful partnerships has been between Baron Philippe de Rothschild and Robert Mondavi.

The newcomers can no longer assume that they possess any major technical superiority. What they do bring, curiously, is an application of serious business techniques to the fine wine business. Historically, the wioe industry in the US fell between two extremes, the mass of "jug" wines dominated by the Gallo brothers, and the prestige end, immortalised (if you can call it that) io the television series Falcoo Crest—modelled on the Moodavi family.

Americans view the industry as offering a glamorous life-style

As they say in the Napa: "All you ned to be a millionaire in the wine business is to have been a multi-millionaire in some other business first."

Europeans do not see the necessity for fine wines to be unprofitable. "Too often Americans view the wine industry as an invitation to a glamorous life-style, a handy tax shelter or a prestigious or quick lunch," says Jerry Mead, a San Francisco wine writer.

The invasioo is now a mature business, in which newcomers can rely on an infrastructure built up by their predecessors. The winery nearest to San Francisco as you drive north is a mock-Spanish affair, beiog built by Freixenet to produce sparkling wines a la champenoise. The $10m investmeot is being supervised by Eileen Crane.

The name Carneros is, after all, Spanish. "It is the return of the Spaniards," says Ms Crane, reminding the visitor that it was the Franciscan fathers who first planted grapes in California 10 years before independence.

The following are a selection of the General Appointments that appeared yesterday

- Business Analyst
- FX Dealer
- Group Company Secretary
- Foreign Exchange Head Trader
- Loan Officer
- Assistant Treasurer
- Compensation & Benefits Manager
- Options Trader
- International Equities Research & Sales
- Home Loans Manager
- Investment Manager

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

INTERNATIONAL APPOINTMENTS

Hongkong bank chairman

Sir Michael Sandberg, chairman of THE HONGKONG AND SHANGHAI BANKING CORPORATION since 1977, retired yesterday. Mr William Purves, who has been deputy chairman since 1984 and chief executive since March 1986, has been confirmed as his successor.

After working for the National Bank of Scotland, Mr Purves joined The Hongkong and Shanghai Banking Corporation in 1954. He served in Germany, Hong Kong, Malaysia, Singapore, Sri Lanka, Japan and the UK becoming deputy chairman in 1984 and chief executive in March 1986. He has been appointed a member of the executive council, the Hong Kong Government's highest policy making body, from January 1.

Mr Purves' successor as deputy chairman is Mr Frank Frame. At the same time Mr John Gray will join the board as executive director finance. Mr Gray has also been appointed chairman of Wardley Holdings, the merchant banking arm of the HongkongBank group.

Mr Frame joined as group legal adviser in January 1977 and became an executive director in April 1985. Mr Frame has responsibility for the trustee and insurance societies of the Hongkong Bank group. He is also chairman of South China Morning Post and of Far Eastern Economic Review.

Since joining the bank in 1952 Mr Gray has served in the UK, Malaysia, Brunei, India, Germany and Hong Kong. He was appointed general manager group finances in February 1985, and is in charge of the bank's financial operations.

Mr William Purves, chairman of the Hongkong and Shanghai Banking Corporation

Promotions at American Brands

AMERICAN BRANDS, INC., the American packaged consumer goods and financial services company, has elected Mr Robert L. Austin to the new post of senior vice president and chief administrative officer, and Mr Joseph J. Griffin as vice president and controller, from January 1. Mr Austin, who has served as vice president-administration since 1984, joined American Brands' corporate staff as vice president-subsidiary administration in 1981, when he also was elected to the board of directors. Mr Griffin, who joined in 1965 as a tax accountant, was appointed tax director in 1981, assistant deputy controller in 1984 and controller in 1985.

Former West German Chancellor Helmut Schmidt has been hired as an adviser to DAIWA SECURITIES RESEARCH INSTITUTE, a subsidiary of Daiwa Securities Company, Japan, reports AP-DJ from New York. Mr Schmidt, who was chancellor from 1974 to 1982, will "offer advice on major political and economic issues from a global perspective," the company said. Founded in 1982, the Institute provides information and forecasts on macroeconomics issues and trends, as well as on individual countries and companies.

Reorganisation at Texas Instruments

TEXAS INSTRUMENTS will have a new management structure on January 1. The changes include the creation of alliances and co-operative agreements between companies that will shape the industry well into the 1990s, as well as the rapidly emerging role of the Asia-Pacific region in the world electronics market. To implement this structure, executive vice president Mr William N. Sick will assume a newly created position with responsibility for strengthening TI's focus on semiconductor business alliances with customers and other semiconductor manufacturers, and for realising TI's full potential in the Asia-Pacific region. Executive vice president Mr William P. Weber, now in charge of corporate development, will assume responsibility for management of TI's worldwide semiconductor operations. Mr Weber's responsibilities for corporate development will be taken over by executive vice president Mr Grant A. Dove, who will remain responsible for TI's geophysical exploration business. Executive vice president Mr William I. George will be responsible for the other operations that previously reported to Mr Dove, including data systems, industrial systems, and information systems and services, in addition to his present responsibilities.

Alcan Aluminium elects board representatives

ALCAN ALUMINIUM has appointed Mr Allan A. Hodgson and Mr I. Suchoversky to its board from January 1. Mr Hodgson, 52, has been vice-president and chief financial officer since 1982, having previously been treasurer of both Alcan Aluminium and its principal operating subsidiary, Aluminum Company of Canada. He joined Alcan in 1967 and served for four years as finance director of Indian Aluminium Company, from 1972 to 1976. Mr Ihor Suchoversky, 59, was appointed vice president, research and technology in 1982, having been area general manager and vice president, Europe, since 1975. He joined Alcan in 1952 and served in a number of technical and production management positions before being appointed president of the sheet and plate division of Alcan Aluminum Corporation in the US in 1970.

Changes at American Express Bank

AMERICAN EXPRESS BANK (AEB), the wholly-owned international banking arm of American Express Company, has promoted three executives. Mr Robert T. Budenbender, AEB's chief financial and administrative officer, has been made senior executive vice president. Mr Alan Langley, executive vice president global treasury, and foreign exchange and money management, has been elected to the additional post of treasurer. Also promoted is Mr Ian Jardine, executive vice president global treasury, who has been elected deputy treasurer.

Mr Budenbender has overall responsibility for financial reporting, legal, human resources, public affairs, planning and development, and executive development. He joined American Express Bank in 1982 after a 10-year career with Morgan Guaranty Trust Co, where he last served as vice president and deputy controller.

Mr Langley started AEB's trading room in Singapore in 1972, and set up Asian treasury activities, and then returned to London in 1973 as head of the trading room. Mr Jardine joined AEB in 1975 after a 10-year banking career in England and the Far East. He had served as a director of a merchant bank in Singapore before joining AEB. At AEB he has had assignments in New York, Bahrain and his present position in London.

Accountancy Appointments

Accountancy Appointments

CHALLENGING HIGH GROWTH ENVIRONMENT

FINANCIAL CONTROLLER

London c.£25,000 + Bonus, Car etc.

Our Client, a young and vibrant distribution company with a turnover that has grown from £9m in 1982 to its current level of £40m, is part of one of the fastest growing Plc's in the U.K.

With annual compound growth in excess of 40% since 1982 and equally exciting growth prospects for the future, the ongoing development of a strong and responsive framework of financial planning, information and controls is clearly essential. However, of paramount importance is the need to ensure that the evolution of such a framework reinforces and, if possible, enhances those characteristics of business management that have made the company so successful.

The position of financial controller is newly created and will report to the deputy chief executive. Applicants should be qualified accountants who have preferably, but not necessarily, had exposure to a fast moving distribution environment. Sound experience of the development of planning and reporting systems is most important, as is the maturity of judgement necessary to ensure a sound fit with the business environment.

Naturally, responsibilities will also extend to those other areas of financial management normally associated with such a position and, therefore, sound technical skills are essential.

The successful candidate will have a strong and well developed personality, flexibility of outlook, vigour and enthusiasm, and will be very much a team player.

Applicants should write in confidence enclosing a full c.v. and quoting reference no. L/708, to Timothy Elster, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
City Square House, 7 Wellington Street, Leeds LS1 4DW.

FINANCIAL DIRECTOR

£18,000-£22,000

For Financial director designate of Bow based printing organisation. Young, energetic recently qualified Accountant with proven management skills. IBM Systems 36 in operation.

Apply with full C.V. to Managing Director, High Speed Printing Limited, Wick Lane, London E3 2TA

Appointments Advertising

£41 per single column centimetre and £12 per line
Premium positions will be charged £49 per single column centimetre

For further information call:
Louise Hunter
01-248 4864
Jane Liversidge
01-248 5205
Daniel Berry
01-248 4782

CJA

RECRUITMENT CONSULTANTS
35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Opportunity to head up internal Audit function within the short term and to advance to the 'sharp end' in merchant banking within 3 years.

INTERNAL AUDIT – MOVE INTO MERCHANT BANKING

CJRA

CITY £24,000–£30,000 + CAR + MORTGAGE + BANKING BENEFITS

INTERNATIONAL MERCHANT BANK

We invite applications from Accountants (ACA, ACCA), aged mid to late twenties, who have had 2 years' post qualification experience in the auditing of or accounting in a financial institution. The selected candidate for this managerial position, in a bank in a rapid growth phase, will be responsible for: motivating, supervising and training a small team of audit staff who carry out a large part of the 'leg work'; upgrading the overall inspectorate role within the bank including writing audit programmes; as well as conducting a wide and varied range of ad hoc accounting and banking projects. There are occasional European travel opportunities. Essential personal qualities are a flexible and innovative approach to audit work, integrity and initiative, and you must enjoy hard work. Initial salary negotiable £24,000 – £30,000, plus car, excellent subsidised mortgage scheme, non-contributory pension and other banking benefits. Applications in strict confidence under reference IA/18560/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: C.J.R.A.

A challenging combination of problem solving and financial line management in a lively, expanding environment.

FINANCIAL ACCOUNTANT

ALPS

LONDON EC1 £19,000–£23,000 + CAR + SHARE OPTION SCHEME

On behalf of our clients, Newspaper Publishing PLC, we invite applications from *Accountants (ACA, ACCA, ACMA), aged* 28-35, with at least 2 years post qualification experience, ideally in a large commercial organisation in a role combining responsibility for financial accounting, systems development and staff management. Reporting to the Chief Accountant, the successful candidate will be responsible for the overall planning, guidance and control of the financial and statutory reporting functions, through an efficient team of 20 staff. Areas covered include credit control, sales ledger, accounts payable (suppliers, staff expenses and contributors), general ledger, cash management and payroll (for over 300 staff). The key elements will be the ability to take the overview, monitoring and directing the day-to-day accounting and maintaining the momentum of systems development to keep pace with the commercial development of the group. A flexible team approach, the ability to work to tight deadlines and strong communication skills are important. Initial salary negotiable £19,000 – £23,000 + car + share option scheme, free life assurance. Applications, in strict confidence, under reference FA 124/FT to the Managing Director: A.L.P.S.

35 NEW BROAD STREET, LONDON EC2M 1NH. TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAX: 01-256 8501
ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE: 01-628 7539

INVESTMENT BANKING

Ambitious ACAs £25K - 35K Package

Move from the Profession to the heart of the New Financial Markets

Our client one of the largest and most innovative UK Investment Banks is seeking young newly qualified accountants to join their recently established securities teams.

The individuals should display above average qualities in the following areas:
• Ambition • Flexibility • Ability to learn quickly • Willingness to take on responsibility • Interpersonal skills • Technical skills (possibly with some exposure to the financial sector)

Working in the securities area, the individual's initial responsibilities will include monitoring the risk and profitability of trading positions and development of products. This will entail constant liaison with trading staff and board members.

High profile, exposure to the financial markets and expansion of the organisation provide excellent opportunities for career development.

Interested candidates should contact Suzie Mummé on 01-628 4200 (0932 220151 evenings/weekends) or write enclosing a detailed curriculum vitae. All applications will be treated in the strictest confidence.

2 London Wall Buildings, London Wall, BBM ASSOCIATES London EC2M 5PP. Tel: 01-628 4200

CONSULTANTS IN RECRUITMENT

Financial Controller

North East England circa £23,000 + car

Following a comprehensive reorganisation of its management structure to take advantage of current trends, this substantial and profitable organisation – a well respected leader in World markets – has identified opportunities for an experienced Accountant to share the challenges and rewards that lie ahead.

In this high volume manufacturing environment, the comprehensive financial control and management information systems are being reviewed and developed to provide a more meaningful flow of information for an increasingly demanding management.

The immediate requirement is for a practical, high calibre, qualified accountant who is familiar with a large manufacturing environment and has previous managerial and commercial experience. This is a creative, senior role and it is therefore unlikely that candidates under 30 will have the maturity and commercial acumen demanded by this outstanding career opportunity.

If you feel that you meet the requirements outlined, please send full career and personal details to John Elliott FCA at either our Birmingham base or East Midlands office. Alternatively, telephone 021 622 3838 (at any time) for an application form quoting reference 10/1153A.

Monaco House, Bristol Street, Birmingham B5 7AS.
City House, Maid Marion Way, Nottingham NG1 6BH.

OVERTON MANAGEMENT SELECTION

APPLICATIONS ARE WELCOMED FROM MEN AND WOMEN

Financial Controller

Berkshire £20,000 + and car

Sterling Greengate, one of the country's leading manufacturers of specialised electrical cables and accessories for worldwida markets, operates on several sites and is part of the £multimillion internstional Raytheon group.

Based at our Aldermaston headquarters and reporting to tha Finance and Commercial Director, your responsibilities for financial and management accounting includs financisl analysis, planning, modelling, budgeting and costing, and the management of the finance function.

An ACMA or ACA, and probably a gradusta aged over 30, your wide-ranging practical experience in manufacturing industry must encompass the development of computer-based systems. A shirt-sleeves approach to team management and motivation and strong communication skills are essential.

Salary is negotiable according to experience and benefits include family BUPA, contributory pension and life assurance. A full relocation package to an attractive rursl area near Reading and Newbury is availabls.

Please send full cv, indicating current salary, in strict confidence to Steve Drew, Personnel Director, Sterling Greengate Cable Company Limited, Bsth Road, Aldermaston, Reading RG7 5QO.

Sterling Greengate
A Raytheon Company

ENTREPRENEURIAL CHARTERED ACCOUNTANTS

LONDON 29-34 YEARS £HIGH AND EQUITY

We offer the opportunity to help build a truly outstanding management consultancy. We handle Business Strategy, Acquisitions and Disposals, Corporate Finence, Financial Menagement, Recruitment end Data Processing assignments for substantiel clients. Within two yeara you will have earned e directorship end acquired en equity stake.

You are likely to be a graduate, chartered eccountant, and will have experience as Financial Director or Controller of e business. Some involvement with acquisitions is particularly relevant. Current deta processing experience would be e useful bonus. Whilst some consulting experience is desirable, exceptionel achievement to dete is more important.

We want an achiever who is hungry for success, highly commerciel, enjoys herd work, end e good communicator. The management style is entrepreneurial and demanding. A company car will be provided, and tengible resulte will be rewarded generously.

Please write to convince me that we should meet, meking sure you state current salary end e daytime telephone number. Interviews will be completed by mid-januery.

Please write to:
Barrie Pearson, Managing Director, LIVINGSTONE FISHER ASSOCIATES LTD
Acre House, 69/76 Long Acre, London WC2E 9JW

LIVINGSTONE FISHER ASSOCIATES LIMITED
Management Consultants

YOUNG COMMERCIALLY ORIENTED ACCOUNTANT

M4 Corridor

A £3 billion multi-national Group with a significant 'high street' presence, including several household names, seeks a young commercially aware accountant for an exciting new role seen as an initial step in a succession to senior line management.

This role has a wide ranging brief to review the Group's activities, controls and information systems, recommending and implementing improvements in close liaison with management at all levels.

The successful candidate will be a qualified accountant, aged mid 20's to early 30's, probably with 'Big 8' experience. He or she will be ambitious, confident and in possession of well-developed analytical and communicative skills which will be essential in making a positive contribution in this high profile role.

This key position commands an attractive remuneration package, including car, and generous re-location expenses where applicable.

If this is the opportunity you have been waiting for, please write with career details to date and current remuneration to Nicholas C Jenkins quoting reference no. FT1203 at:

QMS Recruitment
Quorn House, 6 Princess Road West
Leicester LE1 6TP

GROUP FINANCIAL CONTROLLER

CENTRAL AFRICA HOTELS AND TOURISM

Our client is a large, established and internationally recognised group with an exciting growth plan in Africa and the Indian Ocean in Hotels and Tourism.

Full financial responsibilities for seven hotels and lodges and an expanding tour operating company will extend to some group secretarial/legal work, forward planning and feasibilities for new hotels and tourism-related projects.

Ideally the candidate will be a qualified C.A. aged 27-35 and have international experience in the Hotels/Leisure/Tourism field.

A salary c. £20,000 p.a. (payable in local currency) and family benefits package is offered which will include free housing, medical insurance, a company car and annual leave fares paid.

Please telephone 01-629 2412 or write with c.v. to:—

John Nutt, General Manager
HALLWAY RECRUITMENT CO. LTD
23 Albemarle Street, London W1X 3FE.

ACCOUNTANT

CHANNEL ISLANDS

This is an exciting opportunity for a young chartered accountant in the attractive environment of St. Peter Port, Guernsey.

We are an investment company and part of a major international group and as such enjoy access to sophisticated group resources such as large-scale computer hardware and programming capability. At the same time the small management team in Guernsey enjoys a high degree of autonomy in its decision making.

We seek an accountant in his mid to late twenties with the experience to produce computer-based management accounts, preferably gained in the finance sector. We plan further strong growth and with our combination of multi-currency, investment and life assurance accounting will present a demanding challenge. Remuneration will be attractive, benefiting from the island's low tax rate.

Apply with curriculum vitae to:

Mr. David Hazell
PROVIDENCE CAPITOL INTERNATIONAL
The Grange, St. Peter Port, Guernsey
Channel Islands

ADVENT

APPLICATIONS ARE INVITED FOR POSITIONS IN THIS LEADING VENTURE CAPITAL COMPANY

Successful candidetes will be under 30, hold a degree together with eccountency, legal or business quelifications, or be able to demonstrate proven experience in a Merchant Benk or Venture Capital operation.
A keen interest in entrepreneurial business is essential.
Salery negotiable.

All applications in writing to:
Director of Personnel,
ADVENT LTD,
25 Buckingham Gate, London, SW1E 6LD.

Accountancy Appointments

Exceptional Accountants

M&G

City *c.£35,000*

M & G Group P.L.C. are Britain's largest unit trust management group, with unit trusts and other funds under management exceeding £4bn. They are seeking a very bright young Chartered Accountant to rapidly assimilate the business and work alongside senior management. Key tasks will include unit trust administration and accounting, taxation and MIS development.

Candidates are likely to be graduates, probably aged 30–35 years with a strong track record in the profession or industry. Use of modelling packages and exposure to systems implementations would be an advantage.

Impressive personal skills will include drive, determination and initiative, together with staff management ability.

The excellent remuneration package will include a car and other benefits.

Please send full personal and career details, in confidence, to Martin Manning, quoting reference 1689/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

International Internal Audit

City Based with overseas travel — **International Banking Operations**

Our client, a Banking and Financial Services group, is seeking to increase its audit capability to keep abreast of the continuing expansion in its international operations.

These are newly created positions within the Internal Audit function, which require the following experience.

Manager – Internal Audit

A Chartered Accountant, with at least 4 years post qualification experience, either in the accounting profession or in the financial services industry, with proven leadership and communication skills.

It is anticipated that there will be early opportunity for promotion for the right candidate.

Salary is negotiable, c. £26,000 per annum plus Banking Benefits and a Company Car.

Computer Auditor

A Chartered Accountant currently working within a Computer Audit group in the profession, with at least 1 year's specialised computer auditing experience. Knowledge/experience of computer applications within the financial industry would be desirable.

Salary will be negotiable, c. £25,000 per annum, plus Banking Benefits.

Please write with your Curriculum Vitae in strict confidence to:
B.R.C. Potterton (Ref IA/11), Vine Potterton Limited, 152/153 Fleet Street, London EC4A 2DH. Please state separately any companies in which you would not be interested.

VINE POTTERTON
RECRUITMENT ADVERTISING

CABLE BASED TELECOMMUNICATIONS

Finance Director/Company Secretary

Windsor Television, a leader in Britain's cable industry, is currently on schedule in cabling up to 100,000 domestic and 7,500 business premises in its franchise area covering the towns of Windsor, Slough, Maidenhead, Ashford and Staines.

In addition to 30 channels of television, Windsor is able to provide advanced network communication services. We are now on the verge of a major, fully capitalised expansion and are seeking a Finance Director to oversee and be totally involved with this expansion.

Applications are invited from Chartered Accountants who have an outstanding business record. Preference will be given to those who have had exposure to one or more of the following: the telecommunications industry, sophisticated computer systems, USM flotations.

Candidates must be capable of planning and implementing business projects in addition to their normal duties. This will call for flexibility and commercial acumen. Salary will not be a limiting factor for the right individual.

Apply, enclosing a brief career resumé and marking the envelope 'Private and Confidential', to: The Managing Director, Windsor Television Limited, 5, The High Street, Windsor, Berks. SL4 1LD.

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Financial Controller

Consumer Durables
North West, c £28,000, Car, Other Benefits

Successful diversification and implementation of modern manufacturing methods, coupled with a very progressive, marketing led, management style has created this vacancy in a world famous, long established British plc. Reporting to the Group Managing Director, the Financial Controller will be responsible for all the traditional accounting duties for UK and overseas subsidiaries. More important is the ability to play a significant part in the management team by a well judged balance of entrepreneurial flair and a positive approach to management information systems. Candidates will be qualified accountants with successful experience in a No. 1 financial position in a substantial manufacturing company, who can demonstrate their personal contribution to a successful profit centre. Good inter-personal qualities will also be looked for. Above average conditions and prospects will be offered to the right candidate and promotion to the Board is anticipated just as soon as it is justified by performance.
S.A. Lievens, Hoggett Bowers plc, *St John's Court, 78 Gartside Street,* MANCHESTER, M3 3EL, 061-832 3500. *Ref: 25534/FT*

Company Accountant

Progression Opportunity For A Mature Qualified Accountant
West London, c £19,000

If all the positions you look at seem to write you off if you are over 35, here is a welcome exception. This £6m turnover autonomous subsidiary of a leading British plc markets, distributes and services a highly-regarded range of printing machinery from six UK branches. Reporting to the Financial Controller, the person appointed will be responsible for financial and management accounting to tight deadlines, together with monitoring of cash, tax computations and credit control. Input into operational decision-making will be expected from the outset. Support is provided by a dedicated team of 13 and an integrated computerised accounting system. Candidates aged around 40 must be qualified accountants of proven technical and managerial ability who can communicate effectively with financial and non-financial people. Well-developed team building and leadership skills are essential. There is a clearly identified opportunity for early promotion and substantially increased rewards for the person who can prove aptitude quickly.
S.P. Spindler, Hoggett Bowers plc, *36 High Street, Eton,* WINDSOR, *SL4 6BD,* 0753 850851. *Ref: 24074/FT*

Financial Controller

An Exceptional Opportunity
South Yorkshire, £14,000, Car

This highly successful Sheffield based computer systems supplier, was formed in 1983 and has expanded rapidly and profitably with forecast turnover of £5m for the current year and they are now recognised as leaders in their field. The company expects to proceed to the USM within 2 years and this has led to the need for an exceptional graduate ACA ideally with 1 year's post qualification experience who is technically highly competent. The responsibilities are varied and demanding, but will include control of ledgers, payroll, preparation of management and financial accounts, staff supervision and close involvement with the software department. The position will appeal to the ambitious professional with flair who will welcome the challenge of joining a dynamic and dedicated team. Conditions and benefits are truly excellent. Relocation assistance is available where necessary.
A. Hill, Hoggett Bowers plc, *Bank House, 100 Queen Street,* SHEFFIELD, S1 2DW, 0742 731241. *Ref: 52925/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

A European role with worldwide connections

Parker Hannifin is a US-based, multi-national corporation with European sales currently around $300 million. Rapid expansion, heavy investment and an outstanding financial performance have all contributed to our becoming a world leader in motion control technology.

To play an important part in our future plans, we now wish to appoint an ambitious man or woman to this key role based at our European Headquarters in Watford, Herts. The successful candidate, probably aged early to mid thirties, will need to be very much an Accountant of today's commercial world. In short, an all round business manager capable of making a major contribution at all levels to overall operational effectiveness and information management.

Internal Audit Manager

to £25,000 + quality car + benefits

Reporting to the Director of Internal Audit, who is based in Cleveland, Ohio, you'll be *responsible for controlling all European assignments in the full range of auditing* activities. You will enjoy considerable autonomy of action and will liaise closely with operating management and external auditors. Regular travel throughout the UK and Europe will be necessary.

You should have a sound knowledge of US accounting principles together with the ability to apply tight financial controls and strict reporting procedures in a multi-national accounting operation. Experience of computerised systems is essential and you should, ideally, have a good working knowledge of French/German.

The demands and extent of the role are such that only those with top financial credentials and business experience are likely to be considered.

If you have the high level of professional competence required and are able to make an immediate and measurable contribution to our continuing success in European markets, *you can look forward to outstanding opportunities for future career development.*

Please send your cv to Leszek A Marcinowicz, Personnel Manager, UK, **Parker Hannifin**, Star House, 69-71 Clarendon Road, Watford, Herts WD1 1DG, or telephone for an application form on Watford (0923) 46611 ext 265.

Parker

ILG

LEISURE AND TRAVEL INDUSTRY

Assistant Group Financial Controller

VICTORIA SALARY £18-22,000 NEG+CAR+BENEFITS

Rapid progress, development and diversification has resulted in the INTERNATIONAL LEISURE GROUP PLC becoming a major force in the exciting and highly competitive leisure and travel industry. Our Group has experienced strong growth as a result of creative management, continual product innovation and effective management control.

We now require a chartered accountant with up to two years' post qualification experience. The candidate would work as a member of a young, dynamic head office team with a high level of exposure to senior management. The work would cover all aspects of the Group Finance function but with specific emphasis on external reporting and project work and less emphasis on monthly management reporting. The role involves a substantial element of tax planning and compliance. Accordingly, the candidate should preferably have had greater than average exposure to tax work durin gtheir career. The post is seen as being an introduction to our business leading to a more commercially oriented management position.

To accept this challenge you must be in your mid twenties, ambitious, highly numerate and have first class communication skills. In return we will reward the right person with an attractive remuneration package.

Write, enclosing full CV, to:
Colin Habgood
Group Financial Controller
Stockley House, 130 Wilton Road, London SW1V 1LQ

INTERNATIONAL LEISURE GROUP plc

FINANCIAL ACCOUNTANT

£18,000-£21,000

Central London ***24-30***

This major Trading Institution is seeking to recruit a young ambitious Chartered Accountant. Reporting to the Chief Accountant, the successful candidate will be involved in systems development and capital leasing as well as the production of a full range of Financial information. Good people skills are important. This represents a rare opportunity to enter a fast moving environment with excellent prospects for advancement. For further information contact:—
Mark Spickett
Brian Ingram Associates
70/71 New Bond Street, London W1Y 9DE
Tel: 01-629 3555

European Financial Controller

West Middlesex Attractive Salary & Car

Bell & Howell is a leading information media management company. We provide systems and services that offer a *measurable return on investment.*

Part of a progressive and profitable American £multi-million company, we have *subsidiaries and distributors throughout* Europe. An *open style of management* is encouraged where imagination, initiative and involvement flourish.

We are now seeking a go-ahead accountant for a new position based at our European headquarters. Financial, commerical and operational expertise will be essential in providing constructive recommendations based on budgets, forecasts and other financial information. *Reporting directly to the Financial Director,* you will bring a critical approach to such areas as asset management and performance review.

You will be an *influential self-starter,* already experienced in a senior position and currently earning not less that £17,000 p.a. The role requires someone with the strength of personality to work alongside senior *managers* of different nationalities, putting their various activities in perspective and suggesting ways to develop and improve the business. *Already qualified (ACA) and* probably a graduate, you will have at least three years' industrial and commercial experience. Your ambition will be matched by excellent technical and interpersonal skills, together with a high level of self-motivation. Some travel is involved and an ability to speak a European language is useful but not essential.

If you can *rise to the challenge* we offer, than an attractive salary and benefits package, including company car and performance bonus, awaits you.

Interested? Contact Derek Dean on 0784 251234, or write to him with a full C.V. at Bell & Howell Limited, 33-35 Woodthorpe Road, Ashford, Middlesex TW15 2RZ.

BELL+HOWELL

Accounting Manager, Europe

c. £18,000 + car **Windsor**

Lotus Development, founded in 1982, is the world's largest independent supplier of software products for PC's. In 1985 worldwide revenues exceeded $225m, latest published figures for 1986 show growth of over 30% compared with 1985 within which Europe represents our fastest expanding market.

While much of our success has been due to continuous technological innovation, our increasing turnover means that we rely more and more on the highest standards of financial expertise for our accounting functions. We're now looking for an accountant who can match those high standards in assuming responsibility for the European reporting, consolidation and HQ accounting functions.

Working closely with all European subsidiaries you'll be preparing *international management reporting packages and monthly statements,* consolidating statements from each country, and setting up new controls and accounting for our new legal entities abroad. The US team will also regard you as thair first point of contact on any European management accounting queries.

This is a key role in our European function: we're looking for someone very apecial to fill it. A young, highly competent graduate ACA, you should possess good man-management and communications skills and be able to motivate others by your example. Experience of US reporting and computer systems would be highly advantageous. A willingness to travel occasionally is also important.

We at Lotus have a reputation as exceptional employers: the prospects in this position are excellent, and the salary and benefits package reflect the importance of the role. If you have what we're looking for, please telephone Graham Addison on Windsor (0753) 840281 or write to him at Lotus Development European Corporation, Consort House, Victoria Street, Windsor, Berks. SL4 1EX.

Lotus

Accountancy Appointments

FINANCIAL OPPORTUNITIES WITH AN EXPANDING OIL AND GAS COMPANY.

Profitability and expansion, both in the North Sea and internationally, reflects ARCO British Limited, the highly successful UK subsidiary of one of the world's largest, and now one of the few expanding British, oil and gas companies. We have recently started production of the Thames Complex of gas fields in the Southern Gas Basin of the North Sea and as a result need to strengthen our Finance and Accounting team with the following appointments:

Financial Accounting Supervisor
c£22,000

You will be responsible for supervising three professionals covering joint venture, fixed asset and warehouse and materials accounting functions. This is a fast-growing area of the company's finance operation and calls for a dynamic and able individual to meet the challenges of the position.

Previous supervisory and oil industry experience are vital. An accounting qualification is desirable but not essential if you have the right experience including five or more years in the oil/gas industry.

ARCO British Limited

Analyst
Audit Control
c£19,000

You will have responsibility for developing accounting policy and procedures, internal controls and will have close liaison with external, partner and internal auditors. The position will offer broad scope across all financial and technical areas.

You should have 3-5 years' experience in an oil/gas related environment or with a major accounting firm. An accounting qualification is desirable and a background in oil industry joint venture accounting would be a distinct advantage.

Analyst
Tax/Budgets/Capital
c£15,000

Here your work will centre on the following elements: *performance reporting; budget preparation and Capital Administration.* There will also be the opportunity to learn Corporation Tax and PRT through involvement in the tax reporting process. Computer literate, your 1-3 years' experience should preferably include oil and gas company expertise. Part-qualification would be desirable.

Our continuing success and expansion means the prospects for career development are very good. We offer highly competitive salaries and generous benefits which include non-contributory pension scheme, life assurance, company-paid private patients scheme and relocation expenses where appropriate.

Please telephone or write for an application form, indicating in which position you are interested, to: Julian Yates, ARCO British Limited, ARCO House, 48 Grosvenor Street, London W1X 0AN. Telephone 01-409 2466 Ext 310.

ARCO British Limited, a highly successful subsidiary of Atlantic Richfield Company, is actively exploring and developing key areas in the North Sea. These involve 21 operated licences in the Southern Gas Basin including the Thames Gas Complex. In addition, we are involved in non-operating producing interests in the UK, Ireland and the Netherlands, and have substantial holdings in Norway, notwithstanding large operations worldwide.

FINANCE MANAGER, EUROPE
Based Heathrow Excellent salary + car

Scientific Calculations is a multinational market-leader in software-based design automation for the electronics industry. We have recently joined forces with the Harris Corporation of America, a $2.2 billion company which supplies a comprehensive range of advanced communications and information processing equipment for educational, scientific and commercial applications.

This new powerful combination of two very successful and progressive organisations will add considerable impetus to Scientific Calculations' ongoing profitable development in European markets, and we need an ambitious chartered accountant to assume responsibility for all financial matters.

Based in superb offices at Heathrow and reporting to the corporate office in the USA, you will be part of the European management team and involved in all operational decisions. You will consolidate all financial reports from our operations in the UK, France, Italy, West Germany and Israel, and your wide-ranging responsibilities also embrace forecasting, budgeting, management accounts, and all tax and legal matters. Some travel will be involved.

An excellent career development opportunity, it is particularly suited to those, probably in their 30s, who can demonstrate broadly-based experience in a US multinational in a hi-tech environment, and who now seek a highly visible and challenging role offering considerable independence. Strong interpersonal skills, enthusiasm and mobility will be important characteristics.

Salary is excellent and benefits include a car, private medical cover and life assurance.

Please send full cv, indicating current salary, to Sue Hampson, Personnel Manager-Europe, Harris Systems Limited, Eskdale Road, Winnersh, Wokingham, Berkshire RG11 5TR.

SCIENTIFIC CALCULATIONS
A HARRIS COMPANY

Advertising Appointments

£41 per single column centimetre and £12 per line

Premium positions will be charged £49 per single column centimetre

For further information call:

Louise Hunter 01-248 4864

Jane Liversidge 01-248 5205

Daniel Berry 01-248 4782

Financial Controller

N.W. Kent c.£27,500 (inc. bonus) + car

This high-profile company is part of a major retailing group and is committed to doubling its £20m turnover within twelve months as the first phase of its long-term development plan gets under way. The Group operates a devolved management style and the company is therefore building a high-calibre team to manage the comprehensive programme of change which this growth will demand. The Financial Controller will report to the Finance Director and be responsible for managing a department of some 15 people with experienced supervisors. Against e background of rapid growth and change he/she will be expected to improve the quality of financial control and reporting. The job is therefore demanding but is matched by excellent career prospects and an attractive range of fringe benefits. Candidates should be Chartered Accountancts around 30 who have experience of applying high professional standards in a fast-moving environment. Ref. 1634/FT. Send c.v. (with telephone numbers) or write or phone for an application form to R.A. Phillips, ACIS, FCII, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

Financial Director

Vehicle Components c£20,000+car

Traditionally the pace-setter and major profit earner in the diverse public engineering group to which it belongs, this £20M company is involved in high volume machining and assembly of a wide product range. Exports account for 30% of sales and are growing.

A Financial Director is to be appointed whose task will be to ensure the timely provision, quality and business interpretation of the company's financial controls, which include a developing use of computers.

We seek an experienced Finance Director or Financial Controller, professionally qualified and able both to take a business view and read the detail. Commercial professionalism, tough-mindedness, selfstarting ability and pace are the key qualities sought, allied to a strong management accounting background. The most relevant career experience would be in vehicle or component manufacture in an operation which gets it right.

Salary as indicated plus profit share, very good benefits and a British 2.0 litre car. Location–Midlands.

Please write with brief CV, quoting PR 121, to Iain Reid
PACT Consulting
Management, Search and Recruitment Consultants
Calthorpe House, 30 Hagley Road, Edgbaston, Birmingham B16 8QY.
Telephone: 021-454 2211.

pact CONSULTING

Chair in Accounting
£21,639

Trent Polytechnic and Pannell Kerr Forster have joined together to offer the first funded Chair in Accounting at a Polytechnic.

Trent Polytechnic is one of the leading Higher Educational Institutions in the U.K. and is committed to developing strong links between education and industry.

To assist in this development we are seeking to appoint someone capable of enhancing our reputation in the applied research area.

An ability to lead by example and the capacity to develop the potential of others are essential requirements of the post. The successful applicant will also be expected to relate to and involve industrial, commercial and professional organisations with Trent.

Applications are sought not only from the academic world but from commerce, industry and the profession.

For an informal discussion please contact Chris Hutchinson on (0602) 418248 Ext. 2462.

Further details and form of application are available from the Staff Officer, Trent Polytechnic, Burton Street, Nottingham NG1 4BU. Closing date: 5th January 1987. Please quote post no. B0061.

TRENT POLYTECHNIC

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

ACCOUNTING IN THE CITY

GROUP FINANCE DIRECTOR c£35,000+car+equity

A leading city communications and service group, experiencing substantial growth, is seeking a qualified accountant (age 30-40), with previous manufacturing experience. As a key member of the core executive team you will direct business development, co-ordinate group management information and pioneer the fourth generation computer development. Ref: SW0340

ACCOUNTANT INTERNATIONAL DIVISION £26,000+car+mortgage

A challenging role exists within a leading financial services group for a qualified accountant (age 25-30). You will produce management information for strategic purposes for all overseas interests and activities. This is an excellent entrée role. Ref: NP0327

CAPITAL MARKETS ACCOUNTING MANAGER To £30,000+benefits

If you are a qualified ACA (age 28-32), with a demonstrable record of post-qualification achievement within the banking sector, an outstanding opportunity awaits you within the capital markets division of an international merchant bank. You will direct the development of new reporting systems and analyse dealing performance. Ref: PW0330

TREASURY SYSTEMS DEVEOPMENT c£23,000+car+mortgage

Your opportunity as a qualified individual to utilise your banking or systems experience in a modern merchant banking house. As part of a newly established team your duties will involve liaison, planning and integration of sophisticated systems. Ref: RS0331

Please telephone Sarah Weinman 01-256 5041 (out of hours 01-981 5963)

Management Personnel
10 Finsbury Square, LONDON EC2A 1AD

Finance Manager

West Midlands circa £19K+car

As a £20m turnover manufacturing company within a major U.K. P.L.C., the role of finance manager, as support for the general manager, is of paramount importance.

The emphasis of this position will be towards the commercial aspects of the finance function in conjunction with the responsibility for the control over the timely production of appropriate financial information.

The position will suit a progressive, qualified management accountant, probably between 28 and 35 years of age who has experience of team responsibility for profitability, improvement of financial systems and financial modelling. The person should be a good communicator, and an effective organiser and motivator.

The business is involved in an expanding market place and under its' new restructured environment the management team will be given every incentive to grow with the business.

Applications are welcomed from men and women.

Please send full career and personal details to John Elliott, Overton Management Selection, Monaco House, Bristol Street, Birmingham B5 7AS or telephone 021-622 3838 for an application form quoting reference 10/1614/FT.

OVERTON MANAGEMENT SELECTION

FINANCIAL MANAGEMENT

A new wide-ranging role with international overtones

North London c.£17,000 + car

Gestetner, the internationel market-leadar in raprographics, produces toner powders for copiers at its Tottenham plant.

The projected growth of this relatively new but rapidly expanding operation is very substantial. It creates an environment offering coneiderable scope for an ambitious end commercially aware young qualified accountant to participate actively in tha general management of the business.

Reporting to the Operations Menager, your overall financial management responsibilities include the preparetion of accounts, reports, budgets and forecasts; the control of product costs involving internationally sourced meterials; the provision of e menagement accounting eervice to tha management team; and the eupervision of the DP facility and tha accounts function.

Probably an ACMA in your mid-20s, your experience in a menufacturing environment must cover management and financiel accounting and the development of computer systems. A highly practical 'hends on' approach, flexibility, and good all-round interpersonal *skills are essential.*

The large-company benefits include relocation essistance If needed.

Please send full cv, Indicating current salary, to Roger Headey, Personnel Manager, Gestetner Manufacturing Limited, PO Box 466, London N17 9LT.

Gestetner

CHIEF ACCOUNTANT & COMPANY SECRETARY
(Finance Director Designate)

Up to £20,000 + Car, BUPA & Contributory Pension Scheme

The Engineering Region of a large UK based multinational plc wishes to appoint a qualified accountant as Chief Accountant and Company Secretary of one of its operating subsidiaries, based in West London.

The company turnover £3m per annum, is profitable and well established as designers and suppliers of industrial, commercial and marine plant and equipment to UK and overseas markets and has significant growth potential.

Reporting directly to the Managing Director, the appointee will be responsible for all financial, administrative and company secretarial functions. The ongoing development of computer based systems will necessitate data processing experience.

The successful candidate will be a qualified accountant with a proven track record of achievement in a demanding environment, commercial flair, together with the ability to perform under pressure are equally important.

The postholder should be capable of progressing to Board level in the short term.

Further career prospects are good.

Apply in writing to:
The Managing Director
THE LIGHTFOOT REFRIGERATION CO LTD
Stonefield Way,
South Ruislip
Middlesex HA4 0QA

Management Consultancy— An Intellectual Challenge

£23,000 to £29,000

Make your mark as a Financial Management Consultant with one of the smaller up-and-coming City consultants. Your accountancy qualification and systems orientation will already have taken you to one of the top two spots in a division or headquarters of a large company. Move *on now to an intellectually demanding role—interpreting,* evaluating, recommending and implementing systems solutions for clients in commercial and governmental sectors. Here, you'll make an impressive impact at senior level mainly liaising with Production and Sales Directors. Make an impressive impact also on your career as opportunities abound to reward your achievements. Age range 27-34.

Telephone or Curriculum Vitae to Stephen Greenwood or Maggie Love

LOVE + TATE
APPOINTMENTS
01 283 0111 · 70 OLD BROAD STREET LONDON EC2

COST AND MANAGEMENT ACCOUNTANT

c.£17,000 + Relocation Package Based Oxford

As part of a large progressive company who are committed to growth, Hunt and Broadhurst are one of the most respected manufacturers of stationery products.

To coincide with their expansive mood, they have restructured the Management Team, and as a result, are seeking to recruit a Cost and Management Accountant.

Reporting to the Chief Accountant, the person appointed will head a team of six and will essentially be responsible for the total day to day management of company finance practices with special emphasis on costing and evaluation.

For someone aged 25-30, ACMA qualified, with a clear analytical mind and at least three years sound experience under their belt, this is e real opportunity to make a significant contribution to a thriving and expansive business.

To learn more, telephone John Duxberry on 061-834 5118 who is advising his client up to short list stage.

MSR Limited, 4th Floor, Bow Chambers, 8 Tib Lane, Manchester M2 4JB.

MSR Management Search and Recruitment

BANK TREASURER

c. £17,000

* PART-QUALIFIED ACCOUNTANT
* EXPERIENCE OF B.O.E. RETURNS
* EXPERIENCE OF FOREX DEALINGS

Apply in confidence with full C.V. to:
The Recruitment Manager, ODCL Services Ltd
5th Floor, 9 Cavendish Square, London W1M 9DD

PERSONAL ASSISTANT

wanted for Chairman of quoted company in London W1. Must be an FCA.

Apply to Box A0389, Financial Times, 10 Cannon Street, London, EC4P 4BY

THE ARTS

Anthony Reynolds Gallery/William Packer

Silvia Ziranek in the pink

Silvia Ziranek is an artist whose principal medium is the performance, a form of expression that, by its very nature, allows of the passage of time. By the use of words, music and gesture besides any purely visual or sculptural element, it moves close to theatre or literature. This is an ambiguous and even dangerous no-man's-land between the disciplines which the wise critic all too readily avoids, whatever the direction of his approach. But that is not to say that serious and successful work is not to be found there, deserving fair and proper consideration. And Miss Ziranek, for all the superficial entertainment value of her work—into which she throws herself whole-heartedly—has proved herself to be admirably consistent and serious. Her work is careful and considered and, within the terms it sets itself, often eminently successful.

The problem faced by the performance artist, if the work is not to turn into actual theatre or poetry, is how to celebrate the moment rather than the development of an idea: to establish the presence of an idea—a visible entity, rather than its exegesis. In her solo performances Miss Ziranek's gnomic utterances are indeed curiously resolved into the fabric of the presentation, as much a property of the piece as the stage props themselves, and all is carried through with a fine mocking style and wit.

Her latest performance is to be given twice more, on December 14 at 3.30 and December 17 at 6.30, at the Anthony Reynolds Gallery (37 Cowper St EC2, by Old St Station, 01-608 1516, where application may be made for tickets), and I take the risk of recommending it unseen. In addition there is an exhibition of her related and ancillary work, sculpture, collage and installation, that fills the gallery (until December 21).

International With Lipstick is what the combined exercise is called and it turns out to be a very pink show, which was perhaps to be expected. As befits an artist who by the very nature of things must put herself at the centre of events, Miss Ziranek's image is central to much of the work on the walls. Her portrait photograph, usually in cool profile, is hung in groups serially augmented by texts that are variously and delicately disposed along the line of a clavicle or shoulder, cheek or chin—"20 more ways: with a brick" perhaps, or "... sometimes there's nothing: else: to do." "I've done: the Tate: but not: the roof," she says, and the words fall elegantly about her knees, shins and ankles.

The three-dimensional objects take on the character more of tableaux and installation than self-sufficient sculpture; it is from this mass of material—plastic trays and gew-gaw mirrors that might be collector's items in Camden Town, cheap toys and oddments from any market barrow—that she supplies her performance. The point is not so much that these things might also be appropriated as works of art, but rather the other way round.

For here most daftly and without undue fuss or attention-seeking, Miss Ziranek shows us that it is from this straightforward consideration and almost conventional working of such demotic material — a commonplace of modern art for nearly 80 years—that her extraordinary performances grow. Thus another Ziranek *oeuvre* is made in Archway.

Scene from "International With Lipstick"

La chute de la maison Usher/Spitalfields

Richard Fairman

Debussy never finished his opera *La chute de la maison Usher*. Although Edgar Allan Poe's story fascinated him and he worked on the project for almost a decade, his three attempts at a libretto and sections of music were never fashioned into a full and final score. At his death only odd scraps of music, totalling about 25 minutes, were left.

In the mid 1970s those scraps were finally pieced together. Two attempts were made to produce a score that could be performed and rival productions apparently resulted from each, though neither was reported to have scored even a moderate success.

Tuesday's performance, given by the Downshire Players of London under Peter Ash, stepped in just where the others failed and showed us all that is most hypnotically powerful about this Debussy relic.

Perhaps they started with an unfair advantage. There can be few places so uncannily right for Poe's suffocating house of Usher as the bare and decaying interior of Christ Church, Spitalfields. Here was the crumbling brickwork to provide a resonant home for music which, as Debussy put it, was "sad enough to make the stones weep." The producer, Francisco Negrin, only had to provide an apt sequence of events within its walls.

Negrin's true approach to Debussy's intentions carried the day: Henry Herford was most moving as the wretched Roderick and he had stylish, well-judged support from Robert Dean as the doctor, Helen Charnock as Madeline and Rudolph Piernay as his friend.

The measured, brooding tread of the music and its orchestral effects, all eerie high strings and growling bassoons, were finely handled by the young players under Peter Ash's direction. For substantial parts of the work this performance managed to impart a logic and direction to the opera that a rational look at the fragments would leave one thinking quite impossible. Two other rarities remained: Janáček's *Rikadla*, done with some slightly shaky ensemble; and Berlioz's *La mort de Cléopâtre* with the mezzo Claire Powell as its superbly noble, impassioned heroine.

Dory Previn/Donmar Warehouse

Antony Thorncroft

Dory Previn has overcome her fear of flying with the help of a mangy lion. So for the first time in a decade London can wince at her whimsy and totter at her tweeness. The lion is, I think, her feminine psyche (it is no help being a man in this feminist minefield) which becomes her comforter and supplies the paralysingly embarrassing links between her songs. The songs are alright if you survived the early years of the 1970s in lonely bed-sitters with only an even bigger manic depressive—Ms Previn—keeping you out of all-night casualty.

She has got through and so have we. The break-up of her marriage with André Previn provided the inspiration for a couple of confessional albums which stripped her emotions bare for communal gloating. Now she is happily married again and husband Joby gets a complimentary song which dwells on his feminine features. Indeed, the whole of the first half is devoted to womanhood — Abel apparently was a woman, and the world went wrong when Jesus came out the wrong sex.

But while, with the help of the lion, she spins fancies that would keep psychiatrists gainfully employed for years, there are also the nuggets of the old songs, and much of the meandering is worth it for such classics as "The Lady with the Braid."

After the interval Ms Previn lays her heavy paw on pacifism, switching from Hollywood ("Mary Cecilia and The Hollywood Sign"), through Howard Hughes and his involvement in the manufacture of the atomic bomb, to Hiroshima.

It has perverse attraction and when, in the encores, she reverts to her old melancholy self, wrapping her lyrics, with their evolutionary mix of the bold and the banal, round tinkly homespun melodies, her position as an icon of the era of "love and peace and rock and soul" becomes completely credible.

Philip Sterling, Jason Alexander, John Randolph, Jonathan Silverman and Linda Lavin

Broadway Bound/Broadhurst, New York

Michael Coveney

We return to Brighton Beach for the final chapter of Neil Simon's autobiographical stage trilogy, just opened at the Broadhurst in New York and hailed in this week's Time magazine cover story as "the best American play of the 1980s."

That sweeping judgment is an indicator less of Simon's achievement than of the quality of his opposition. But a Simon hit invariably bolsters a sagging season, and the key scene of *Broadway Bound*, in which young pyjama-clad Eugene Jerome propels Kate, his sad, abandoned mother, around a humble Brooklyn living room floor while she recalls the night she danced with George Raft, has already acquired the resonance of legend.

In *Brighton Beach Memoirs*, Eugene/Neil Simon memorialised his early lust and writing ambition; in *Biloxi Blues* he went to war; now, in the late 1940s returning to the world of the first play, he breaks into CBS radio with his elder brother, Stanley, and witnesses the disintegration of his parent's 33-year-old marriage.

His aunt Blanche (Phyllis Newman) has married out to wealth and is berated by Eugene's live-in old style socialist grandpa (a lovely performance by John Randolph who bears a happy resemblance to both Picasso and Bert Lahr). Blanche defends owning a fur coat—a good tactical line of argument with Simon audiences—and storms off to applause with "We're women, we don't know any better." Eugene bobs up to top that with one of his better interjections: "Now you know why I went to write comedy."

Simon has, throughout this trilogy, improved the meshing of narrative plot and objective memory. In another great scene that opens the second act, the family gathers round the radio to hear the brothers' first performed sketch. Grandpa, "who hasn't laughed since the stock-market crashed," criticises jokes without point, while the family freezes in contrasting postures of agonised self-recognition. A buzz saw voice, corresponding exactly to Kate's, gains a huge dirty laugh on announcing that "her husband's in ladies pyjamas." The wandering clothier husband Jack (Philip Sterling) berates his boys for plundering domestic pain. A few minutes later a friend of Eugene telephones to complain about hearing *his* parents on radio.

By the end, the brothers have been signed for the Phil Silvers television show and are leaving for New York. Simon takes affectionate revenge on his brother Danny in the portrait of Stanley whom chunky Jason Alexander projects as a short-sighted career agitator. Eugene is a more sensitive, mother-fixated soul and transparently more talented. I back off somewhat at this engineered exercise in nudging self-aggrandisement, at Simon's idea of his own special-ness ("I was determined not to be most people").

The trick, however, is that Simon has nonetheless written a searingly honest comedy without forfeiting his part of the contract with a Broadway audience to offer easy entertainment.

Jonathan Silverman, who inherited Eugene from Matthew Broderick, is tentative and sympathetic. But this role is secondary to the mother, whom Linda Lavin invests with dignity, tragic disappointment, amazing grace and real elegance. On slamming the telephone down on her whingeing Florida-based mother she instinctively dusts it. She polishes her table and chucks her sons under the chin when a promising date is waiting at the door. And in the remembered glow of the primrose ballroom and her brush with the iconic ladies' man of the age, she transcends her stale marriage to glide glowingly to a foxtrot paradise, switching steps and hips with the unfettered ease of Ginger Rogers. This performance, rightly, is received each night with a thunderous ovation and should be an unchallenged contender for a Tony award next summer. Ditto, most probably, the play, which is beautifully directed by Gene Saks.

Saleroom/Antony Thorncroft

£7m Rembrandt cheap at the price

One of the few great romantic paintings by Rembrandt likely to appear on the market in our life-time sold for £7.26m at Sotheby's yesterday. It is a portrait of a young girl wearing a gold trimmed cloak and was bought by an anonymous private collector.

There were four serious bidders for the picture, which was an auction record for Rembrandt and the second highest saleroom price for an Old Master—Mantegna, rather surprisingly, holds the record for any painting at auction, with the £8.1m paid at Christie's in 1984 for his "Adoration of the Magi."

The Rembrandt came from the US and was sold by the descendents of Robert Treat Paine II, a Boston patriarch who acquired it in 1929. Experts believe it is not a commissioned portrait, rather one of the early—1632 is the date it carries—paintings conceived in Rembrandt's imagination.

It is oval in shape, and comes from one of the artist's most fruitful periods. Good Rembrandts are as rare as gold dust, and with art historians now busily consigning many of his "attributed" works to his followers, such a delightful painting by the Master was comparatively cheap. Even so Sotheby's, anxious to avoid disappointing the vendor, had only attached a £2m pre-sale forecast: the actual price will be in line with its optimistic private estimates.

The success of the Rembrandt was some compensation for the failure of the other two important paintings in the sale—a pair of portraits by his Dutch contemporary, Franz Hals—to find buyers. Sotheby's was hoping for bids approaching £2m each, but in the event the best it got from the packed congregation was £1.4m for the man and £1.6m for the woman. Although in excellent condition they are not immediately appetising pictures, and would not enhance a modern home. Like the Rembrandt they came for sale from the US.

All told the Old Master auction totalled £12,437,150, with 23.6 per cent unsold. If you eliminate the Hals the bought in was 3.36 per cent. The collection of 17 Italian Baroque paintings did well, only two remaining unsold. Top price was the £220,000 paid for "St John the Baptist in the Wilderness" by Guercino (just within forecast). "Christ and the woman taken in adultery" by Pietro da Cortona sold for £198,000, on target.

Obviously the Old Master market is not as buoyant as that for Impressionist and modern pictures but the 18th century Spanish artist, Luis Melendez, is on a high, and his still-life of fruit and cheese doubled its top estimate at £451,000, selling to the dealer Speelman. "La sultane," a sultry Turkish siren by Fragonard, trebled its top forecast at £440,000, and the New York dealer Richard Feigin, who was the under bidder on the Rembrandt, was successful on the next three lots, paying £363,000 for "The music party" by Ter Borch; £242,000 for "The martyrdom of St Apollonia," by Guido Reni (way above estimate); and £220,000 for the Guercino.

A painting acquired by a baker in 1939 to settle a bread bill proved its worth: his descendents sold "St Agatha" by Cariani for £101,200.

When I was a Girl/Whitehall

Claire Armitstead

The forbidden apple of female sexuality can seldom have been served up so raw and ripe to a West End audience as in this comedy by Sharman MacDonald plucked from the ever lengthening list of past successes at the Bush. That in itself can only be a good thing: it is high time someone wrested the issue from the sweaty palm of male fantasy and presented it as something with a life and a growth of its own.

The interesting and rather disturbing thing about *When I Was a Girl I Used to Scream and Shout* is that it seems content with drawing an essentially negative picture. The play, for those who have not yet caught it on its travels, concerns a Scots girl Fiona, casting light on the relationships that have proved pivotal in her life: with her mother, a straight-laced and loveless divorcee and with her best friend, Vari, in whose company she spends her awakening years playing the games girls are not supposed to play, progressing from imaginary penis implants to "jigging" for which Fiona is threatened with a Freudian comeuppance of snakes and spits.

The point is made fairly and squarely early on that little girls are not all sugar and spice; that their early sexuality is as basically exploratory as any little boy's. Fair enough, but it is when it broaches the great thereafter — which it does by interlacing scenes of childhood and adulthood — that it seems to become trapped by its own reductiveness.

Vari (Geraldine James) becomes a mother of three who envies Fiona for having "no bottom and a social conscience." Fiona (Julie Walters) has come through the traumas of maternal rejection and gymslip pregnancy to a solitary if sound adulthood. She is 32 and holidaying with her mother, whose sole interest—it appears—is the grandchildren she doesn't have. In neither lot is there any real sense of fulfilment.

Part of the problem, I suspect, is the flattening out of a play which began life in an intimate theatre and finds itself suddenly straddled in a proscenium arch. Simon Stokes again directs, against a shimmering beachscape by Robin Don that is lovely but distancing, capturing the desolation of the adult holiday but diffusing the claustrophobia.

But whatever else, it is good to see Julie Walters divested of the jumble sale of elderly grotesques in which television has clad her: as Fiona she is winsomely, delightfully funny, switching from petulance to vulnerability and back again in a performance that is essentially young and vital. Geraldine James has a harder job convincing us that the precocious child, Vari, has become a "lumpy" mother; while Sheila Reid is only too real as the disapproving, flawed Morag.

All of which prompts the thought that perhaps all that is needed is a complementary sequel.

Geraldine James and Julie Walters

Turkey Time/Bristol Old Vic

B. A. Young

Turkey Time is sheer essence of Ben Travers, even if it is a little less concentrated than, say, *Plunder*. The action, no matter how extraneous it may become, all depends on the simple situation presented at the beginning of the evening. Rose Adair, a beautiful member of The Debonaires travelling variety troupe, encounters David Winterton, a young man engaged, though without enthusiasm, to Louise Wheeler. Rose is fleeing from Warwick Westbourne, the villainous manager of the Debonaires, who is about to take the last few pounds of their funds and decamp with them and her.

One has only to add Max, a tough, amorous man lately returned from Canada with a repertory of the current slang (the date is 1930 or so), a comic married couple named Stoatt, and Mrs Gether, a landlady endlessly after her rents, to provide material for an evening's riotous misunderstandings. There are not many lines that might be taken out and exhibited for their wit; they are simply mechanisms to advance whatever discomfiture is in train (for farce is based on discomfiture) and to introduce the ever-present suggestion that the proper thing for young men and women to do is to go to bed together. Not that there is any dirty talk. A characteristic exchange, dry enough on paper, is: "Shall we sit together on the sofa?" "With what object?"

Roger Rees's production at the Theatre Royal is more in tune with Ben Travers than any Travers revival I have seen. "Don't try to be funny" was his watchword, and only an occasionally exaggerated gesture suggests that the players in this admirable company might not play *Ghosts* in the same tones. One result is that the characters, intentionally or not, recall the personae of the original Aldwych team. Anthony Pedley plays Max like Tom Walls; Robert East as David like Ralph Lynn; John Rogan as Edwin Stoatt like Robertson Hare. (He is even given a clangorous "Calamity!")

The play proper, or improper, is prefixed by an introductory look at the Debonaires in action. This lasts too long. In the first place, it intentionally shows the actors being bad actors, and in the second place, it confuses the audience. The Debonaires' parade at the end, however, singing their song "We all love turkey time" (the work of Eric Ellice) is charming.

The excellent designs are by Kit Surrey, that, with a little pushing by stage-hands in Debonaires costume, can turn the Stoatts' dining-room into the Bella Vista Hotel in a moment. I was specially impressed by the staircase at the hotel.

Mahler's Sixth/Festival Hall

David Murray

It was Gary Bertini who conducted the London Symphony on Tuesday in the Sixth Symphony, but I fancy he might be offended by a caption that said "Bertini's Mahler." Bertini is a serious, *thorough* professional: it may be his misfortune that he hasn't a specially marketable "personal stamp" (though it seems to me that he's doing pretty well), but his virtues are high technical skill—not all that common among conductors!—and searching loyalty to his scores. And if there is music that succeeds only when laced with some indefinable extra flair, Mahler's Sixth belongs to a different category.

Everything in the Sixth is up-front, explicit; the challenge is to place all the vivid details within the overarching symphonic plan—to ensure that the salient points emerge from the huge orchestral machine, while pacing the whole score like breathing. As Mahler's directions make clear, small tempo-adjustments are vital, and yet they should seem too natural to attract notice: above all in the vast Finale, where successive heroic onslaughts must break upon immovable rocks—but *symphonically*, not as mere musical melodrama with one "symbolic" theme confronting another. It needs a real conductor, in short, and not just a colourist with a clever ear, let alone any flailing narcissist.

Bertini's reading was distinguished, big-boned, exciting in all the right places, masterly about exposing crucial detail. Basic tempi unerring, though gear-changes too heavily underlined (with so many four-bar phrases—more than anywhere else in Mahler—there is a premium on seamlessness): too little really *soft* playing from the LSO—something they never manage without more rehearsal than Bertini was probably granted—to do full justice to the wistful radiance of the Andante moderato, nor to the desperate peaks and abysses of the Finale. Those are, however, quibbles on an idealised standard. Bertini made the towering proportions of the symphony plain, and the orchestral playing (above all from the brilliantly assured trumpets) was of resounding competence.

It was preceded by Liszt's A major Piano Concerto, delivered by Krystian Zimerman with his usual thoughtful grace. That is not enough for this boringly schematic piece (the frank bravura of the E-flat Concerto, less encumbered by notions of thematic unity, is *much* more fun: what's grist to the commentator's mill doesn't necessarily transfuse actual performance). Only shameless opportunistic pianism keeps me awake in the A major, and Zimerman's didn't.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Exhibitions

December 5–11

TOKYO

El Greco: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

PARIS

Esteve: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 116 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cezanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0924).

SPAIN

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

NETHERLANDS

Amsterdam, Van Gogh Museum. Monet in Holland documents the Impressionist's visits to the country at three different stages in his career with 24 canvases painted in Zaandam, Amsterdam and the bulb fields, with related work by French and Dutch contemporaries. Fully illustrated English catalogue. Ends Jan 4.

Rotterdam, Rijksmuseum Land en Volkenkunde. In the Wake of the Liefde presents the intriguing story of cultural relations between Holland and Japan since 1600. Paintings, prints ceramics and furniture highlight the two centuries when the Dutch trading settlement at Deshima was the sole western outpost permitted by the shoguns. Ends Jan 4.

BRUSSELS

Ingres and Delacroix – Drawings and Watercolours – Palais des Beaux Arts. Ends Dec 21.

Chinese Porcelain – the Transitional Period. Musée Royale d'Art et Histoire. Ends Dec 14.

NEW YORK

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Thursday December 11 1986

Unilateral disarmament

THERE ARE two questions about the British Labour Party's Strategy for Defence published yesterday. One concerns how far it stands up as a serious statement of defence policy. The other is about the likely effect on Labour's electoral chances.

The document tones down slightly some of the suggestions that were being made at the party's annual conference at Blackpool in the autumn. A future Labour government would still decommission Polaris, Britain's present sea-going nuclear force. It would also cancel Trident, the more powerful successor being acquired from the Americans. It would seek the removal of all American nuclear weapons in Britain, but—and here there is a nuance — it would not be committed to a precise timetable and, the document says firmly: "Everything we do will involve consultation with our allies."

If it were only a matter of scrapping Polaris and abandoning Trident, the Labour Party might have the beginnings of an intellectual case. It is arguable, after all, that independent British nuclear weapons do not add all that much to the collective security of the Atlantic Alliance. The money might be better spent, as Labour claims, on improving conventional forces or indeed, as Labour does not claim, on improving the health service. It is also anomalous that the world's 19th economic power should belong to the quintet of nuclear states.

Very isolated

Some people may wonder whether it would not be unduly quixotic to give up nuclear weapons without being guaranteed anything in return: a reduction in the Soviet nuclear arsenal, for example. Nevertheless, there is a case of sorts to be made.

It can only be made, however, within the context of the alliance as a whole. There is no evidence whatsoever that any of Britain's major allies want the country to embark on a course of unilateral disarmament. The Americans certainly do not, as Mr Neil Kinnock, the Labour Party leader, was reminded during his travels last week. The French do not, because France does not want to become exposed as the sole nuclear power in Europe. And if Mr Kinnock cites Dr Johannes Rau, the West German Social Democrat leader who is in London today, as showing some sympathy for the Labour position, it is worth noting that the Social Democrats do not seem poised to win the general election in the Federal Republic next month. Labour is very isolated.

Voluntary distraction

Superficially, it may seem rather less isolated when it comes to the question of the American use of British bases. The American raids on Libya mounted from Britain earlier this year were not overwhelmingly popular, though incidentally they were non-nuclear and it is only American nuclear facilities in Britain that Labour is trying to stop. Yet again the question comes down to the nature of an alliance. An alliance is about sharing, about making some sacrifices in return for some protection. If it is to work at all, it has to be a collective enterprise. It is very difficult not to see the Labour Party's proposals as an attempt to write its own rules and to opt out of alliance responsibilities. It may be doubted whether such an approach will be electorally popular once its implications are understood, for it is an affront both to the Americans and to the Europeans whom the Americans help to defend.

There are other objections. It is not self-evident that the Labour Party will be able to persuade the country that it will spend more money on conventional forces as a result of the savings from Trident. Much of the Trident money would in any case have already been spent. Moreover, all British governments have had problems with defence expenditure. It is less than convincing for Labour to turn on the Tories now and accuse them of cutting. Indeed it is the unilateral nature of Labour's nuclear weapons policy that is giving the Tories such an easy wicket. Serious defects in the Government's policy—for example, on procurement — are passing unnoticed.

Still, this is Labour's strategy and it is going to have to stick with it. The party's decline in the opinion polls began when the outlines became clear at Blackpool. The best and perhaps only way of limiting the damage is by emphasising the consultations within the alliance. But from now on it is going to be a difficult task. Labour has voluntarily distracted attention from the areas where the Government is most vulnerable; unemployment, poverty and the economy. It is unilaterally disarming itself.

Private landlords on probation

MR JOHN PATTEN, Britain's Housing Minister, made a rousing speech at this year's Conservative Party conference about what he rather confusingly called "The right to rent"—which is, of course, more a question of opportunity. This, he suggested, could be a major theme of the next Conservative election manifesto; and his audience may well have concluded that an ambitious young minister in a market-orientated government was proposing to wake the private rented market from the paralysis which set in some 70 years ago with the first rent control measures. His actions, however, suggest something a good deal less radical.

Those who noticed his recent speech, rejecting a proposal from the Centre for Policy Studies for the creation of tradeable short tenancies, may think that there has been no action at all; but that is because the changes which have been introduced have made little or no political noise. The creation some time ago of a new system of assured tenancies, under which approved developers (vetted by the ministry) could build for rent on ordinary market terms was a small beginning. Some 200 landlords have now in fact been approved — substantial builders, insurance companies, building societies and housing associations—but they have not yet had much impact on the market as a whole.

Memories fade

This idea was extended quite radically during the passage of the 1986 Housing Act; as a result, empty dwellings can also be refurbished to approved standards by approved landlords, and let on assured tenancies (these offer security of tenure, subject to five-year rent reviews, just like most commercial leases).

It was hardly a bold political act, because the change was in fact proposed by Labour and Alliance speakers in the debate before the Government could unveil its own plans—which is an interesting fact in itself. It seems clear that by now memories of Peter Rachman have become faint enough to allow politicians to think, and that "landlord" is no longer simply a dirty word.

Its potential impact could be further enlarged if the Government proceeds, as it is thought to intend, to abolish the right of secure tenants to hand on tenancies to their children. Under such a set of rules, the pace of revival of a market sector in private renting would be set by the life expectancy of existing tenants, and the supply of approvable landlords.

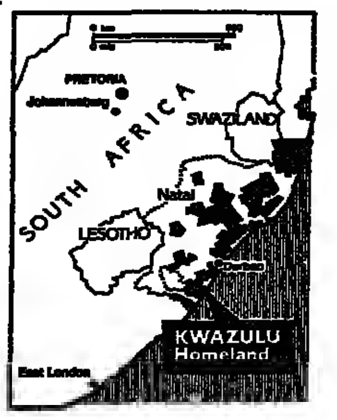
All the same, those who argue the benefits of a vigorous rented sector as an aid to labour mobility, an extension of personal choice, and an opportunity for useful investment will not be satisfied with proposals which will take the best part of a generation to bear fruit, and in which potential investors are subject to official vetting.

No confidence

There are two arguments for caution, and both have real weight. The less persuasive is that it is both inhumane and "politically impossible" to abolish existing rights. This will clearly influence party managers, but they should remember that protected tenants enjoy their rights at the expense of the homeless and the job-seekers.

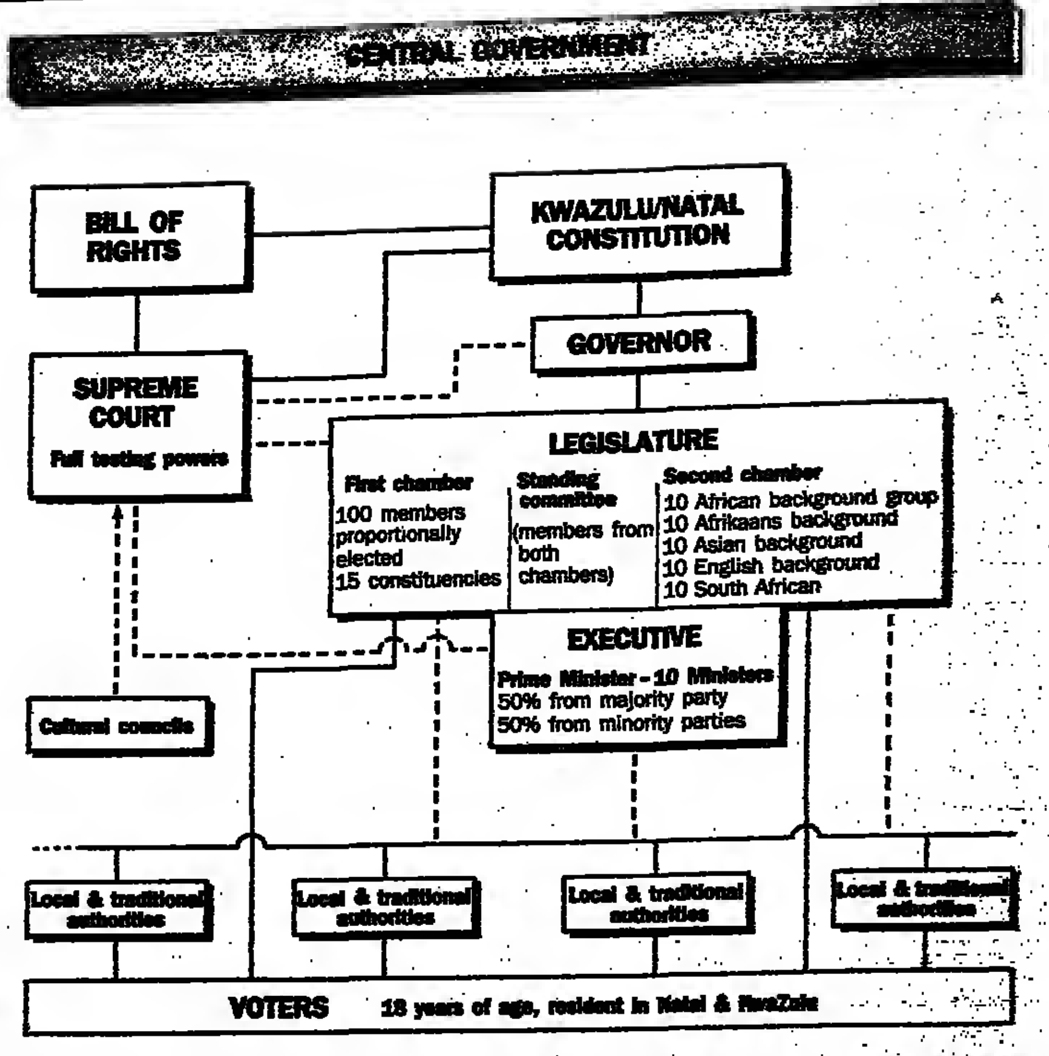
The stronger argument is that potential investors will have no confidence in any politically contentious reform, for fear that a change of government will wipe out their equity. This is a fact of life, and helps to explain why the first radical relaxation of rent control was initiated by Mr Richard Crossman, a Labour minister.

This argues that Mr Patten is right to seek cross-party support; but he should lead as fast as he can towards a world where normal enterprise can flourish. It is, after all, restrictions which create the opportunities for would-be Rachmans; freedom works elsewhere, and would work here, as more and more politicians are beginning to realise.



South Africa's Natal province is considering a controversial plan to introduce multi-racial government. Is it the country's first step to real power-sharing? **Anthony Robinson** reports from Johannesburg

Battle lines for change



NOTHING illustrates the pitfalls in the way of power sharing in South Africa as well as the fate of the Natal *indaba* which last month approved by an overwhelming majority plans for a multi-racial joint legislature for the province.

The ink was hardly dry on the proposals for a two-tier legislature, which would couple black majority rule with guarantees for minorities, before Mr Stoffel Botha, provincial leader of the ruling National Party, stepped in to brand them unacceptable to Pretoria. A considered official response from Pretoria is still awaited.

The *indaba*, the Zulu word for a meeting of the people, brought together 39 political, social and economic groupings representing all ethnic groups in an unprecedented attempt to forge a single political unit out of white Natal province and the 48 parcels of land which form the KwaZulu black homeland.

To the surprise of many, including the Government, the *indaba* succeeded in agreeing a blueprint for a Lower House consisting of 100 seats elected by universal suffrage and an Upper House of 50 seats with equal representation for the four main "background groups" —Zulus, Indians, English and Afrikaners—plus a non-ethnic "South African group" for those who did not wish to be ethnically tagged.

Given the ethnic composition of the province—roughly 80 per cent Zulu, 11 per cent Indian and 9 per cent white—elections under the proposed constitution would almost certainly result in a large black majority in the Lower House and a black prime minister. Although based on the Westminster system of winner take all, crucial guarantees for minorities are built in, to assuage minority fears of black domination.

The proposals drive a coach and horses through Pretoria's homeland policy under which the overwhelming black majority in the country has been divided up into 10 ethnically based, semi-autonomous homelands. If Pretoria were to accept the proposals, this would mean accepting the dissolution of KwaZulu, the most populous and politically significant of the ten.

The *indaba's* blueprint comes at a time when Pretoria appears to have set its face against any further tinkering with the apartheid system. As such, it is surprising that the Government allowed the *indaba* to take place at all. The question now is whether Pretoria will allow the blueprint worked out by participants who met for eight months behind closed doors in the Durban city hall to be put to the popular test in a referendum.

Ironically, the UDF and the African National Congress (ANC) share with Mr Stoffel Botha a rejection of the sort of regional solution proposed by the *indaba*. Whereas the UDF and the ANC stand for "a non-racial, democratic, united South Africa," which would abolish the homelands and recreate a full unitary state based on one man one vote, the Government's vision of a unitary South Africa includes the homelands and is based on "group" — meaning ethnic-based — politics. Ultimately the *indaba* proposals fall short of Pretoria's requirements because they do not provide for a white veto — a veto which would be logically incompatible with the principle of majority rule, a key element in the blueprint.

Whatever the opposition from both ends of the political spectrum, an overwhelming majority in favour of the proposals would be likely in any provincial referendum because of the organisational strength of Inkatha, the over 1m strong Zulu movement led by Chief Gatsha Buthelezi.

Chief Buthelezi, and his principal lieutenant Dr Oscar Dhlomo, have impressed many whites by their strong stand against disinvestment, their rejection of the armed struggle in favour of a negotiated political settlement based on non-racial power sharing and their opposition to the Marxist strand in the ANC. Many are uncomfortably aware that rejection of the *indaba* proposals would greatly strengthen the arguments of the ANC and others who argue that apartheid will only be ended through the barrel of a gun.

But it is a moot point whether such considerations are powerful enough to overcome the fears of many Indians—especially those caught up in savage Zulu-Indian fighting in the shanty towns around Durban in August 1985—or those of many Afrikaners and other whites who fear the loss of their present dominance.

Realistically such fears can be expected to result in a significant no vote from minorities in any referendum, despite the enormous efforts made to accommodate minority fears by the drawing up of an extensive Bill of Rights, provision for appeal to the supreme court on any legislation affecting cultural, linguistic and other ethnic matters, and built-in checks on majority rule both in the composition of the 10-man Cabinet and the 11 standing committees of both Houses which must approve all legislation.

So far as Pretoria is concerned, virtually any sign of rejection by minorities would legitimise a decision to rule out the *indaba's* proposals as against its stated policy of "effective and equal power sharing without any group being able to dominate another."

Natal could prove a testing ground for peaceful change

Certainly the US and other foreign governments have been prompt in their praise. Mr George Shultz, the US Secretary of State, applauded what he termed an "imaginative compromise" which he said showed that "South Africans are capable of difficult mutual accommodation to advance the cause of radical justice and representative government."

According to Mr Denis Worrall, the South African ambassador in London, Pretoria's official reaction to the proposals is to be made known by Mr Chris Heunis, Minister for Constitutional Development, after close scrutiny. To Mr Worrall fell the job of smoothing the edges of Mr Stoffel Botha's initial negative reaction, and reassuring the international community.

The *Indaba* serves to undermine and clarify the fundamental dilemma of South African politics—how to move from domination by a white minority to majority rule without the risk that presently powerful minorities will be rendered powerless by the majority.

Under the proposed bicameral system, the Zulus will have an overwhelming majority in the directly-elected 100-seat Lower House but will muster only 20 per cent of the seats in the Upper House. With ten seats allocated to each so-called "background group," the 50-seat Upper House would give 20 seats to whites (thanks to separate representation for English and Afrikaners) who account for only 9 per cent of the population.

Yet a majority of both Houses is required for legislation to be approved. What is more, all legislation has to be passed by a two-thirds majority in the 11 standing committees in which no party will hold more than 60 per cent of the seats. A further check against the majority riding rough-shod over the desires of minorities is also provided in the form of recourse to the Supreme Court for a final judgment on legislation affecting linguistic, cultural and religious customs and traditions.

In the view of leading participants, like Mr John Kane-Berman, director of the Institute of Race Relations and vice-chairman of the *Indaba*, this blueprint is capable of "reconciling white fears and black aspirations." The proposals, he says "marry black demands for majority rule with checks and balances to cater for the legitimate rights and interests—as opposed to unacceptable privileges—of minorities."

The structures proposed by the *Indaba*, including the minority checks, would, he believes, encourage the creation of political alliances across ethnic lines. The great virtue of the *Indaba* is that it provides South Africa with the opportunity to experiment with a power-sharing model peacefully negotiated and limited to only one of the country's four provinces. If it succeeded it would provide powerful ammunition against those, like the ANC on the one hand and the Afrikaner Weerstandsbeweging (AWB), the parliamentary Afrikaner resistance movement on the other, who see South Africa's future as determined by bloody conflict between the forces of white and black nationalism.

The possibilities the *indaba* opens up are recognised by Afrikaner intellectuals, by the business community and by others who fear that the Government has no long-term perspective for peaceful change. In an article published by two Afrikaner academics with close National Party connections — Mr Johan Fick, deputy leader of the National Party in the Johannesburg City Council and Mr Christo de Koning—argue that insistence upon the Government's policy of ethnic group politics could eventually leave Afrikaners as powerless as the white minority in Zimbabwe. Instead, they argue, Afrikaners should seek to forge political alliances with moderates across ethnic lines to ensure their role in a future non-racial South Africa.

Another significant "pointer" in this direction came with the announcement by Professor Pieter de Lange, principal of the Rand Afrikaans University in Johannesburg and leader of the secret Afrikaner Broederbond society, that he will retire from his university post to promote reconciliation with other population groups.

Since rejection of the Commonwealth Eminent Persons Group's attempts at mediation last May, and even more so since re-introduction of the state of emergency on June 12, the government in Pretoria has clearly signalled a halt to apartheid reform. In this frame of mind, government acceptance of the *indaba* proposals seems highly unlikely.

But despite Mr Botha's initial rejection of the *indaba* proposals, domestic left wing opponents, like the United Democratic Front (UDF), believe that a key long-term aim of government policy is to forge an alliance with the Zulus which would divide the black opposition.

Once elections, expected next year, are out of the way, the Government would be free to take another look at the *indaba* as part of a broader policy of trying to co-opt "moderate" blacks like Chief Gatsha Buthelezi into its proposed National Statutory Council. Designed as a forum for including blacks in policy formation, it stops well short of power sharing and has been spurned by black leaders.

The extent to which Natal could become a provincial testing-ground for a non-apartheid system will ultimately depend upon the powers which the South African Parliament is prepared to bestow upon it. The *indaba* has, for example, requested Pretoria to give it land-use and planning powers. At the same time, the Bill of Rights drawn up as part of the *indaba* consultations guarantees all citizens the right to own land anywhere in the province. Thus, if the national parliament were to grant the land powers as requested, the effect would be to abolish the Group Areas Act in Natal. The Group Areas Act provides for racially segregated residential areas and is a key remaining pillar of apartheid.

Under the surface, individuals and social forces are at work preparing for the day when power sharing ceases to be an option in South Africa and becomes a necessity. Whatever its immediate fate, the *indaba* represents a major contribution to this process.

Men and Matters

Icahn's test of golf

The British Tourist Authority should have known better than to invite Carl Icahn, one of the most feared Wall Street corporate raiders, to give the luncheon address at its annual conference for British-American travel interests in New York this week.

Icahn, whose empire now includes TWA, the biggest airline on the North Atlantic, had nothing to say about how he intended to boost tourism to Britain. Instead, the guests were treated to yet another re-run of how he saved TWA from bankruptcy, and some of his more printable comments on the defects of top management of corporate America.

Icahn is apparently thinking of following in the footsteps of T. Boone Pickens, the Texas multi-millionaire, who has nearly finished writing his autobiography, "Boone."

If Icahn's account of his own life and times ever appears, he suggests it may be titled "In Search Of Mediocrity" and tell of all the evils of "big business" that he has learned during his career.

Apparently he got the idea after reading Gibbon's "Decline and Fall of the Roman Empire." "I Rome," Icahn says, "the middle classes were just given dole and did not have to do anything. It is pretty much the same in this country."

Icahn—dubbed "the man CEOs love to hate"—believes there is a corporate aristocracy which "lives on the dole" and does not produce or accomplish anything.

One of his first chapters will be called "In Defence of Golf-play." "At least when the managers of big business are playing golf," they are not keeping the workers from working," he says. A manager's score on the golf-course is a key warning indicator. "If the golf score is going bad, you know the guy is in there bothering the workers."

Icahn, who has stripped TWA's management team down to a skeleton of its former self, says the problem with big American companies is that "there are too many people around at too many meetings and too much paperwork going up and down the ladder."

The answer to the corporate malaise now engulfing America, he stresses, is to "cut, cut, and cut."

On costs

Prince Charles has been banging the big drum for small businesses this week. But one so far unreported scheme that he has in mind could have an impact in every British boardroom.

He wants them to be furnished with British furniture made by British craftsmen. The same goes for silverware, glassware, trophies, and the like. Business in the Community (BIC) will be setting up a boardroom furniture advisory service to further the idea.

But will this be enough? As the Prince found at the exhibition and workshop visits that went with the BIC annual meeting in Newcastle upon Tyne, sales are not enough. Nearly every small business attending complained of late payments of invoices by big companies.

A voluntary code was brought in this year on such matters. But, judging by the reactions of the small businessmen assembled in Newcastle, it does not seem to be working. And, of course, they have no wish to get nasty with their bigger brother customers.

As if to emphasise the point, the captains of industry got a shock when the BIC accounts were presented. The employers' organisation is trading £33,000 in the red—entirely due to late payment of subscriptions by some of Britain's biggest companies.

"What do you think—new Labour election slogan or stockbroker's lament?"

Wapping waits

Print union leaders are hoping to breathe fresh life this weekend into the flagging dispute with News International over its Wapping printing plant by tapping into a little pre-Christmas spirit.

Despite the constant disavowals of violence by union leaders, events in the dispute of late have attracted a number of violent incidents.

In an attempt to reverse that, and to try to regain the moral high ground the unions seized at the beginning of the dispute back in January, the unions are mounting this weekend a Christmas demonstration, complete with a bedecked Christmas tree and the singing of carols.

Repeating a plea for no violence, Brenda Dean, general secretary of Sogat '82, the largest print union, said that Rupert Murdoch, News International's proprietor—the demonstration is being organised by WAM, Wives Against Murdoch—had not displayed much Christmas charity so far in the dispute. "Let's hope we can shame him into showing a bit of Christmas spirit."

Ding, dong merrily . . . .

EEC penitent

A briefing in Brussels yesterday by the youthful new Spanish commissioner for social affairs and employment, Manuel Marin, at one point turned into a dramatic and embarrassing personal confession.

In the middle of an enthusiastic introduction to the commission's latest ideas for an EEC "plan of action" against cancer he was forced to admit that he is indeed a smoker. Not only that, he added miserably, but "recent attempts to give up the habit have all failed."

Marin did not disclose whether the pressure of work preparing his new campaign over the last few months is to blame. But in an act of engaging humility he promised that he would try harder over the next 12 months.

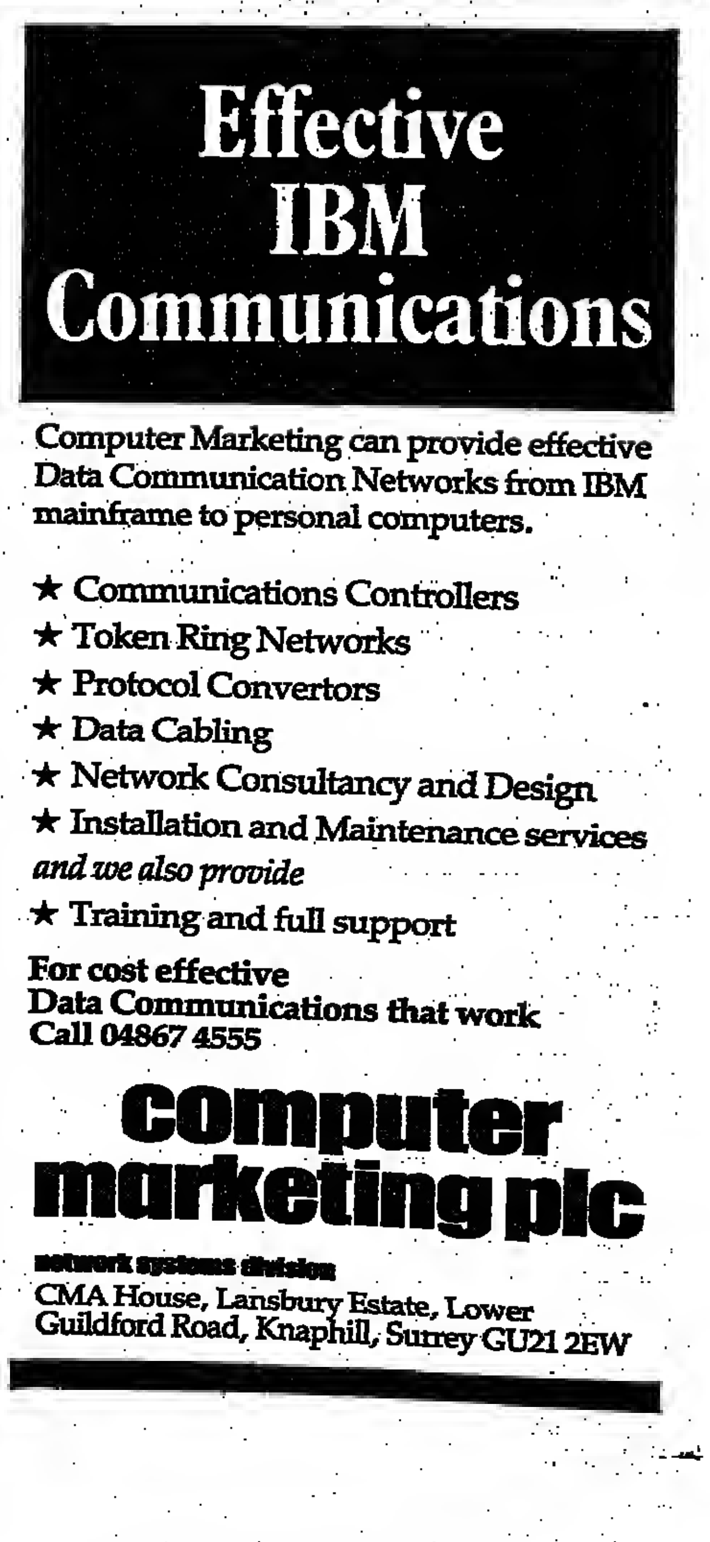
Those still addicted to the weed—particularly smokers employed by the EEC—should not think that Marin's own weakness will make him any less determined to discourage others.

Besides plans to persuade member states to harmonise their taxes on cigarettes at a level closest to the highest rates now applied in individual countries, he made clear his intention to try to stop duty-free sales of cigarettes throughout the community—and that would even include abolishing the duty-free allowances of EEC staffers.

Hang-over

Wall Street has gone off Perrier in a big way. This week's favourite drink is Subpoena-colada.

Observer



ECONOMIC VIEWPOINT

Conflicts in high places

By Samuel Brittan

What we had to do earlier this year was to allow the exchange rate to fall because of the sharp collapse of the oil price. There clearly had to be a step change in the exchange rate and that duly occurred. . . . So we are back to the policy of having an exchange rate which is exercising a financial discipline and that means that I do not wish to see it fall further. I do not know whether you call that psychological or not: it is operational.

Nigel Lawson, Treasury Committee, November 20

Interviewer:
One final thing on the exchange rate. The Chancellor said the other day that the rate had now gone against the D-mark low enough and he did not want it to fall any further.

Prime Minister:
I think it has gone low enough. . . .

Interviewer:
I mean, one of the consequences of that statement . . . does that mean . . .

Prime Minister:
I do not think there are a great many consequences of that statement. We may believe it has gone enough, but it is what the market believes and you know what the market is: 95 per cent of the movement is speculation and the other 5 per cent is trade.

Margaret Thatcher, Financial Times Interview, November 19

THERE IS a clear division at the heart of economic policy-making. Even though he is not allowed to take Britain into the European Monetary System, for the Chancellor "a firm exchange rate policy" is a the heart of anti-inflationary strategy.

When he declared in a television interview on November 9 that he would raise interest rates if there were pressures on sterling, nit-pickers could say that this was in the context of fears of a Labour Government. The quotation from the Treasury Committee evidence is in a straightforward economic context.

It is true that the Chancellor also lays stress on M0—so-called narrow money. The M0 target could boomerang if this measure were to exceed its target range, as for instance Warburg Securities suggests will happen in the first half of 1987. Then and then only will the financial markets start taking an interest in it.

There is, of course, everything to be said for examining holdings of notes and coins (which are 80 per cent of M0) as one indicator among very many. But the elevation of this indicator into the main monetary target could only have occurred because it was taken behind closed doors. By the time the Chancellor mentioned it in public, too much face was involved for a reconsideration.

In practice, the Chancellor is moving nearer and nearer to a sterling-based monetary policy. He did of course deny to the Treasury Committee that there was a "sterling target." This was, however, in answer to an MP who suggested a precise published target range and who cross-examined him on whether sterling "not falling any further" meant below 67, 68, or 69 on the trade-weighted index. "That degree of certainty" the Chancellor said, "would also be playing into the hands of the short-term operators."

Mr Lawson's meaning was even clearer in response to a questioner who suggested lower interest rates and a lower pound to offset British labour costs rising faster than those of competitors. He replied that the essence of the battle against inflation can be summed up in the slogan "non-accommodation," from which ever source the inflationary forces come. This meant keeping a tight rein on sterling despite the tug of inflationary pay awards.

The Prime Minister's attitude is very different. But it is clearer where she does not stand than where she does. She is strongly disinclined to use either the reserves or interest rates to defend sterling. Her former personal economic adviser, Sir Alan Walters, whom she still sees, is against any sort of sterling objectives.

The clearest to a positive lead from Mrs Thatcher herself has been her reference to 1981, when taxation rose to reduce public sector borrowing, despite a severe recession. It is difficult to see Mrs Thatcher insisting on a tax increase in a Budget not long before an election, but she could put a brake on tax reductions.

What will in practice happen if sterling comes under pressure? Do not believe that it will just be left to "what the market believes." Several prime ministers in the past played with the idea of letting sterling fall where it would. Mr Heath pursued this course after sterling floated in 1972; and Mr Callaghan toyed with a similar policy before going to the IMF during the 1976 crisis. Both had to change course.

Whatever brave words are uttered beforehand, there comes a point when Prime Ministers will not countenance any further fall. And rightly so. For the exchange rate, in conjunction with the average inflation rate among the leading countries, is the main ultimate determinant of domestic inflation.

Sterling has already fallen so far that the point of Prime Ministerial resistance is not far away, as was demonstrated when Mrs Thatcher accepted the 1 per cent rise in base rates in October. Officials have found that her objection to raising interest rates can be more easily overcome, if the argument is put in terms of the increase in inflation which a fall in the pound will precipitate, rather than the fall in sterling itself.

This will not be too difficult. Even on the assumption of unchanged sterling, the Treasury inflation forecast of 3¾ per cent for next year is below the range of all four outside forecasts tabulated by the Treasury Committee, who "on common assumption" forecast inflation rates from 3.9 to 5.7 per cent. A further sterling tumble would give these more pessimistic forecasts and worse added credibility.

There is also a more brutal political aspect. Mrs Thatcher can stop Nigel Lawson cutting taxes too much. A Chancellor could hardly resign because he wants a laxer fiscal policy than the Prime Minister does.

On the other hand, Mr Lawson can prevent the Prime Minister neglecting sterling. A resignation on the grounds that the Chancellor is not being allowed to follow a responsible counter-inflationary monetary policy would indeed shatter financial confidence; and Mrs Thatcher could not afford that before the election, or perhaps even afterwards. As Brendan Brown of County Nat West remarks: "If it were not for the likelihood that Britain will join EMS shortly after the next General Election, the British pound would probably be in a full-blown state of crisis."

This double veto by the Prime Minister on an irresponsible fiscal policy and by the Chancellor on an irresponsible monetary policy might be some comfort to holders of sterling. But it is an insufficient basis for policy.

The Chancellor's power to act to protect sterling is greatest in the face of a sharp fall in a short period. It is least in the face of the same fall spread more gradually. A 3 to 5 per cent fall spread over a year (which would roughly compensate for and accommodate cost differentials with the UK's main competitors) might not seem enough at any one time to justify the political unpopularity of an interest rate hike. It is not a coincidence that the average differentials of UK short-term interest rates over other financial centres is about 5 per cent: the effective devaluation discount.

More important is the fate of the Medium Term Financial Strategy. This has become a victim, superficially of the confusion among the aggregates, and more fundamentally of the disagreements in Downing Street. Nevertheless, the concept is the Thatcher Government's one contribution to macroeconomic policy and eventually it will have to be rescued.

The main point of having a pre-announced financial policy is to strengthen credibility and influence expectations, thereby reducing the output and employment costs of not accommodating inflation. Without a credible MTFS, inflation can only be reduced by painful recessions. The Government's unwillingness to go through another recession when unemployment is so high explains why "core inflation" has been stuck since 1983 at 4 to 5 per cent; but it ill becomes left-wing commentators to sneer at it on this point.

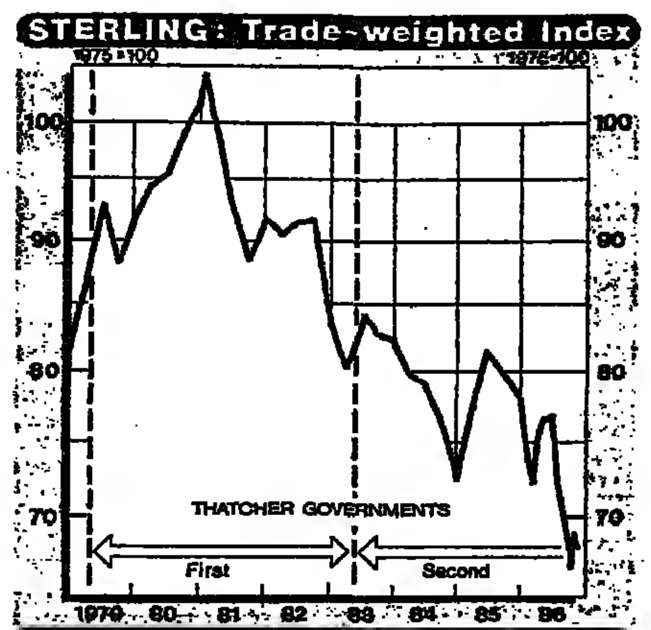
My initial reaction to the breakdown of technical monetarism way back in 1980 was to suggest expressing the strategy in terms of a more ultimate objective, total spending as measured by Nominal GDP.

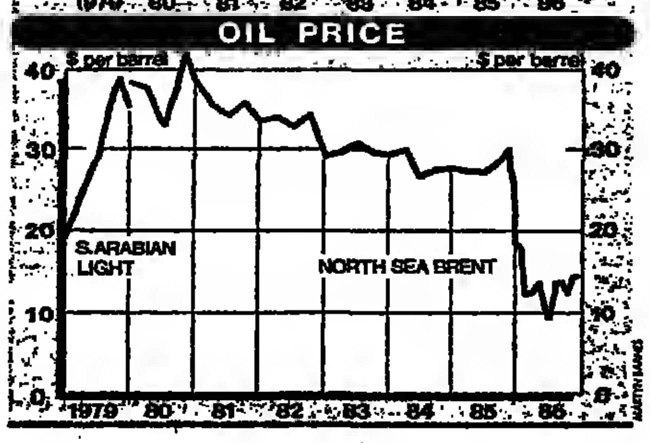
Experience has suggested, however, that Nominal GDP on its own does not have enough bite for a medium-sized open economy. Almost the only pressure to which British pay settlements, with their enormous inertia, will respond is that coming from sterling. Thus I would now make the exchange rate the main *intermediate objective*. This seems to be the Chancellor's inclination too, although he is unwilling to commit himself fully, as his statements show, outside the framework of the EMS.

Nominal GDP is still important at two different levels. It will be needed as a guide to monetary policy for the EMS as a whole and/or West Germany as its leading economic member.

Secondly, the movement of Nominal GDP can provide a short-term guide to fiscal policy in a single country.

Before the Treasury has a heart attack, let me say that such considerations are likely to point in Britain in 1987 to a tightening rather than a loosening of the fiscal stance. But the important point for financial confidence is not whether the Chancellor plans for a £7bn PSBR as originally intended, or whether the Treasury can persuade him to reduce it to £5bn or £6bn. The main worry is that whatever figure is put into the Red Book, it will be exceeded because of the pressures on public spending. It is here, rather than on fiscal scholasticism, that reassurance is most needed.





Lombard

The Japanese alternative

By Jurek Martin

THE managing director of the International Monetary Fund does not have to be a superman, but it helps. Necessary qualifications include competence in economics, a sense of vision, a political brain, toughness in negotiation, friends in high places and, until now, a European passport. But if the nations of Europe are not careful—and this week's meeting of the Community's finance ministers bordered on the careless—the next head of the IMF could well be Japanese.

The EEC Council decided to present two candidates to the IMF board, Mr Jean Michel Camdessus, the imaginative governor of the Bank of France, and Mr Onno Ruding, the orthodox Dutch Finance Minister. This abdication of responsibility a mere three weeks before a new managing director is supposed to be in place demonstrates the determination of the governments of France and the Netherlands to stick with their men, mostly for internal political reasons, and the inability or unwillingness of other European countries to force a choice.

Recent reports from Washington have suggested that the US, bored and irritated with Europe's inability to make up its mind, is toying with the idea of the Japanese solution. Whatever the cause, there is much intrinsic merit in the idea. Japan's full absorption into the international community will remain incomplete so long as it relies only on economic power to make its presence felt. It badly needs to commit quality people to the leading multinational organisations and it has been conspicuously reluctant to expose itself by releasing its best and its brightest from domestic duties.

It so happens that in Mr Toyoo Gyohten, its Vice Minister of Finance, Japan has a candidate who meets all the above prerequisites except birthplace. It also matters that he speaks, and thinks in, English with a facility uncommon in his countrymen. It would probably be easier to replace him in Tokyo than to find a Japanese who better exemplifies the commitment of Mr Yasuhiro Nakasone, the Prime Minister, to internationalisation.

Cautious voices in Japan, including even Mr Nakasone's, would probably not voluntarily push Mr Gyohten's cause. The Japanese addiction to solidarity might still prefer to avoid the risk and embarrassment of a Japanese managing director in confrontation with, or criticising, his own national government. But if Washington calls, Tokyo is inclined to listen. After all, just six weeks ago, the two nations neatly and privately struck an arrangement stabilising the yen-dollar relationship, significantly without reference to the leading European nations.

This might have served as a warning that the tradition of a European running the IMF could not be taken for granted. But, if so, it has not been heeded in Paris or The Hague or even necessarily in London, where the belief is still harboured that in the end a distinguished Briton, such as Sir Jeremy Morse, will emerge as the compromise choice.

The Eurocamp seems unfortunately driven by narrow concerns. The last *three* IMF managing directors have been, successively, a Frenchman, a Dutchman and a Frenchman and both countries feel they have liens on the position. Mr Ruding has staked his political career on the issue. In Paris, it is freely rumoured that Mr Balladur, the Finance Minister, is uncomfortable with Mr Camdessus in his present job.

As an abstract exercise in politicking, this would be mildly diverting but for one concrete fact. Mr Jacques de Larosiere, the outgoing chief, is leaving Washington at the end of the month and it would constitute little short of malign neglect for the IMF to enter the New Year headless. It is not as if the institution has nothing to do at present.

Perhaps the visit this weekend of Mr James Baker, the US Treasury Secretary, will serve to concentrate the collective mind, especially if he advances the cause of Mr Gyohten or pulls a rabbit out of the hat by disclosing, for example, that Mr Paul Volcker is willing to leave the Federal Reserve. He may do neither but still serve Europe with the ultimatum that time is running out. Finally selecting a man to head the IMF on the 39th ballot will not do.

Letters to the Editor

Mergers and the public interest

From Mr J. Rhys-Burgess

Sir,—I am amazed by the assertion made by Sir Gordon Borrie, Director General of Fair Trading (reported on December 5) that companies which make takeover bids ought to be made to show that their proposed bid will produce positive benefits, as opposed to a merely negative indication that it will not operate against the public interest.

While the Government is understandably ill at ease as a result of recent events both in Wall Street and in the City, especially in the wake of Americanisation of our own financial markets, the director general would do well to remember that shares are not counters in the casino game which the Stock Exchange admittedly resembles, but deeds of ownership in a company and its underlying assets and business undertaking, held in common by individuals, whether directly or vicariously, through pension and trust funds.

Surely, the decision whether or not a bid is in the public interest, is a matter entirely for the shareholders, whose property the target company is. Only under socialism and similarly outmoded and discredited political systems, is it otherwise. The public interest cannot possibly be served by allowing governments and politicians to interfere with the essential and morally inalienable proprietary rights of individual shareholders in this regard. Only on the clearest grounds of competition, should government intervene, since monopolistic powers are the antithesis of a market economy, but the onus should always be upon the Government to justify its actions.

It would be more appropriate for the Government to develop a monopolies and mergers policy which at least had some semblance of consistency and logic, on which bidders, investors, and their respective advisers, could place some reliance. To paraphrase John Selden, this tends to vary at present with the length of time that a government has left in office.

J. C. H. Rhys-Burgess.
Crag-y-Nos,
Llangammarch Wells, Powys.

Competition and ethics

From Mr M. Johns

Sir,—In the leader, titled "Competition and ethics" (December 6), you referred to takeover related share dealings at Exco International coming under scrutiny in Britain. So far as I am aware, there has been no suggestion that share dealings at Exco have come under scrutiny.

There was, however, a statement by Exco on December 3, that dealing irregularities had come to light in one of Exco's subsidiaries, Municipal Brokers. These irregularities had nothing to do with so-called insider dealing.

M. C. Johns,
Exco International,
80 Cannon Street, EC4.

Hotel or hot air

From the Managing Director, Fairhaven Machinery

Sir,—I am committed to promoting the best of British and export worldwide. Before the vested interests in favour of Hotol spend taxpayers' money, perhaps they would convince us better to support them if they spent some of their own money instead of taking from successful companies' profits to subsidise flights of fancy.

If Britain must subsidise industry, let's do it to create more jobs, reduce imports and possibly increase exports by restarting manufacture of printing presses, sewing machines, dishwashers, microwave ovens and all the other items which are 100 per cent imported. Only with a secure base can we move forward.

Howard Scaife,
Fairhaven Machinery,
Fairhaven House,
Otley Road, Charlestown,
Shipley, Yorks.

Marketing milk

From the chairman, Milk Marketing Board.

Sir,—The use of your editorial columns (December 3), after some reporting elsewhere in your newspaper on Case 23/84, for an all-out attack on the organisation of milk marketing in this country was obviously designed to create maximum embarrassment and indeed would do so, *were it not that* your arguments are so badly misplaced.

The case certainly does not have the "broader ramifications" that you infer. You seem to have missed completely the point that the European Court went out of its way in an otherwise extremely tightly reasoned technical argument to point out that there was no "wish to call in question the Milk Marketing Board system as a whole, which is of indisputable benefit to consumer, because of an infringement which could be remedied by the British Government without abolishing the system itself." The Court has therefore disassociated itself from the very inferences which you obviously wish to draw. It is clearly denying your comment that "the system . . . operates as a substantial disincentive to consumption by keeping milk prices higher than they need to be" and that it need be "an increasing source of political and legal embarrassment."

The pressures on the dairy industry are those of oversupply throughout the Community. In that situation you might rationally expect a tough fight for market share, which will spill out in many directions as marketing organisations fight with every possible weapon at hand.

The biggest additional disadvantage carried by the British dairy industry is a hostile press, that never finds itself able, in the Prime Minister's words, to "speak up for Britain."

(Sir) Stephen Roberts,
Thames Ditton,
Surrey.

The dairy trade

From Sir Richard Trehane

Sir,—I was saddened by your second leader of December 3 "Milk monopoly under threat" because it does not appear to uphold the standards of objective and informative journalism from the FT which I have admired so much.

It is easy to use the words "monopoly" and "monolithic" in a pejorative sense, but it is misleading to omit the many safeguards enjoyed by Government and the dairy trade which effectively restrain the Milk Marketing Board from acting in the ways popularly associated with monopolies. Similarly, your comparison with milk manufacturing elsewhere in the EEC is misleading. Most of the milk in the EEC *is sold through very large co-operatives or closely* associated ones so that the producer has no greater freedom to sell his milk than happens here, nor the public to buy. Again, differential pricing may not be practised elsewhere in the same way — though it is in almost every other country in the world — but milk made into different products realises different prices which are averaged in a co-operative.

The main justifications for the board remain very much as they were set out in the prestigious Linlithgow & Grigg reports which set the basis of the Agriculture Marketing Acts and the milk marketing scheme. One of the significant factors was the knowledge that without the co-operative structures traditional in Europe, dairy farmers were no match for the co-ordinated power of the dairy trade from whom they had suffered continual attrition at periodic price "negotiations." Today would be no different with the dairy trade gathered into fewer and stronger hands.

For many years the board and the dairy trade worked together with reason and discipline, with agreed standards of trading and methods of negotiation, which helped the whole industry to make greater progress, not least in the standard of service to the consumer. I suspect that the more aggressive tactics of today's dairy trade are designed only to benefit themselves.

(Sir) Richard Trehane,
Manor Farm,
Hampreston,
Wimborne, Dorset.

Interpreting statutes

From Lord Nathan

Sir,—I write in support of the views expressed in your leader (December 4) headed "Human rights and the law." This emphasised primarily the need for a Bill of Rights and refers incidentally to the related problem of drafting and interpreting statutes. The length and complexity of statutes do not arise primarily from the complexity of the problem being addressed but from the strict rules for their interpretation by which judges are governed. These rules in general deny access to material outside the text of the statute being construed which might provide guidance as to the objectives which the legislature intended to achieve.

The consequence is that Parliament attempts to cover every eventuality in the legislation so that there shall be certainty as to the answer to every question which may arise. The objectives of the legislature are thus obscured by provisions which are frequently incomprehensible to the trained lawyer, let alone the layman. These elaborate and detailed provisions absorb much Parliamentary time and a long bill frequently emerges from the *legislative process* even longer.

The heart of the trouble lies in the rules by which judges are bound. The demand that the law be certain has always tended to be in conflict with the demand that it be just, sensible and comprehensible. The rules of interpretation by which judges are bound favour certainty—perhaps a spurious certainty. It is time that the balance be redressed.

At a time when the introduction of a Bill of Rights is under discussion these matters should also fall for consideration.

Nathan.
20 Copthall Avenue, EC2.

FINANCIAL TIMES
Thursday December 11 1986

FT writers report on the Frenchman running a Belgian steel group

Levy set to take Renault wheel

BY TIM DICKSON IN BRUSSELS

MR RAYMOND LEVY, head of the heavily loss-making Belgian steel group Cockerill Sambre, appeared increasingly likely last night to emerge as new chairman of Renault the French car group.

Mr Levy met the Belgian Prime Minister, Mr Wilfried Martens, in Brussels yesterday to discuss his future. Although no details of their meeting emerged, senior government officials seemed resigned to the inevitability of his eventual departure.

The French Government's approach to Mr Levy to fill the vacuum created by last month's murder in Paris of Renault's chairman, Mr Georges Besse, has placed Mr Martens and his colleagues in a difficult position.

Mr Levy is currently head of a strategically important group which employs 15,000 people and is in the process of implementing a BFr 7bn ($168m) cost-cutting exercise aimed at shedding up to 2,000 jobs.

His resignation at this stage – with almost four years of his contract still to run – could set back that programme and pose problems for the Government in finding a successor.

Officials, on the other hand, point out Mr Levy, who is a Frenchman, has expressed his desire to take the new job and that it would be senseless to try to stand in his way.

"It would be counterproductive to force a man to stay if be was unhappy," one well-placed observer said last night.

The main issue now seems to be the level of compensation which the Belgians will seek from the French Government. Contacts between Mr Martens and Mr Jacques Chirac, the French Prime Minister, have apparently taken place in the last couple of days, although one official said the matter was not discussed at the meeting of EEC heads of state in London last weekend.

Mr Levy, a former chairman of

Mr Raymond Levy

the French state-owned steel group Usinor, took over as chairman of Cockerill-Sambre in September 1985 when be succeeded Mr Jean Gandois, ironically tipped as the other main candidate for the Renault job.

At Cockerill be has been involved in tough negotiations with the unions over his ambitious restructuring plans – a combination of job cuts, wage reductions and increases in working hours.

The group reported losses of BFr 6bn for 1985 and has forecast losses of BFr 4.5bn for this year, although a company source said yesterday that due to depressed steel prices and recent strikes the eventual outcome "will probably be higher."

Finding a candidate to replace Mr Levy, if he goes, will be further complicated by Belgium's regional and linguistic divide. The Cockerill-Sambre workforce is divided roughly evenly between two centres in Liege and Charleroi – both cities in the southern, French-speaking regions of Wallonia.

For this reason, a Flemish chairman would be ruled out, and even e Walloon Belgian would need to be seen to be above the more parochial – but still deeply felt – rivalry between the two Cockerill plants. Hence the tradition of appointing an outsider.

Forceful loner who works 'like lightning'

By David Housego in Paris

If, as is expected, Mr Raymond Levy takes over as head of Renault, he will move to the French state-owned automobile company with considerable experience of restructuring in lossmaking heavy industries.

Currently chairman of Cockerill-Sambre, the Belgian steel group, he was head of the French state-owned steel group Usinor until Mr Laurent Fabius, the then French prime minister, declined to renew his mandate.

He lost his job largely because of his outspokenness in support of a strategy that he thought would bring the industry back to profit rapidly and because the Socialists were worried at his unpopularity with the unions.

A man of quick intellectual grasp and a mastery of complicated material, be is widely respected in French industry for the perceptiveness of his analysis and his quickness to take a decision. Once having made up his mind, he is not a man to be deflected from the path he has chosen.

He has a reputation, however, of working more on his own than in a team, and of sometimes leaving his subordinates unclear as to how he wants his strategy to be carried out. He also is not at his ease on the shop floor with the trades unions.

This side of his character could cause strains in his early days at Renault, which is strongly an "in-house" company and does not take easily to outsiders.

Mr Georges Besse, the former chairman who was killed by terrorists and who had taken over when the company was still heading downhill, won support through his directness. He was a physically large, down-to-earth man, who liked getting round the groups plants.

Notwithstanding his reserved and rather intellectual appearance, Mr Levy is a manager of great courage. He was the first in the French steel industry to warn the Socialists that deep cuts in capacity and the labour force would be needed to eliminate losses.

As chairman of Usinor, his strategy was to base its activities around its potentially profitable, large integrated rolling mill at Dunkirk and its northern plants, while shedding its loss making interests in Lorraine in eastern France.

When this seemed unacceptable to the Government and another state-owned group, Sacilor, he came out in public with proposals for merging the two steel companies to rationalise investment and strategy. The proposal took ministers aback, but is now in practice being pursued by Mr Francis Mer, who has since been made head of the two French groups.

He took over as head of Cockerill-Sambre in September 1985 – recommended to the Belgium Government by Mr Jean Gandois who had held the job before him and is now head of the French group Pechiney.

At Cockerill be has brought the same approach of rigorous analysis – resulting in a plan designed to save the company BFr 7bn, including BFr 4.5bn through cuts in the labour force. He is said by those who know him there to be "tough, direct and to work like lightening."

Before going to the steel sector, Mr Levy had spent most of his career at Elf Aquitaine, the French state-owned oil group, where he successively took charge of exploration and production, refining and distribution.

Steinberg sells 15% stake in Mercury

By Clive Wolman in London

THE THREAT of a hostile takeover bid for Mercury International, the UK investment banking group, from Mr Saul Steinberg's Reliance Group was lifted yesterday – at least temporarily – when Mr Steinberg sold his 15 per cent stake to a Canadian pension fund

Mercury International, the parent company of the leading merchant bank S G Warburg, had strongly opposed the stake taken by Mr Steinberg, who has a long history of making hostile takeover bids.

The Canadian National Railways pension fund, the largest corporate fund in Canada, bought almost the entire stake at a price of £99.75m ($142m) or 455p per share. On the news Mercury's stock market price fell from 403p to close the day at 371p, giving CNR a paper loss of £18.4m on its stake. Mercury is now CNR's largest holding, accounting for more than 3 per cent of its portfolio and more than 30 per cent of the maximum permissible quota of overseas assets.

The size of the stake and the premium paid by CNR gave rise to speculation that the stake might ultimately be used to back a renewed takeover bid threat by Mr Steinberg. After the announcement, Reliance said that it had not intended to sell the stake but that the value of the offer, which has given his company a $45m profit, was so attractive that it was in the interests of shareholders to accept. Reliance has not ruled out further purchases of Mercury shares.

Mr Tullio Cedraschi, chief executive officer of the CNR investment division, said last night: "We are not working with Mr Steinberg in any way. The main reason we are investing in the company is the quality of its management." The pension fund has taken a stake of just below 15 per cent to avoid possible objections from the Bank of England.

Mr Cedraschi said that the pension fund had been looking at Mercury and other UK financial services companies with global ambitions for about three years. But the specific opportunity to buy the Reliance stake was presented about two weeks ago, when be was approached by Mr Barry McFadzean, a UK consultant. The UK securities firm, Hoare Govett, was then contacted and it approached Reliance with the offer.

It was only 10 days ago thet Reliance critisized Mercury's business strategy and its management and, in what was widely regarded as a bostile move, increased its stake to slightly above 15 per cent which gave it a "controlling" interest under UK banking law. But Mr Cedraschi said that Reliance had not known of CNR's interest at that stage.

UK Labour Party launches its non-nuclear defence strategy

BY MICHAEL CASSELL IN LONDON

BRITAIN'S Labour Party yesterday launched its bid to win public approval for a non-nuclear defence strategy and provoked an immediate avalanche of criticism from its political opponents.

The announcement of the proposals, which have already drawn widespread criticism from among Britain's Nato allies, also highlighted differences of opinion over defence policy within the Labour leadership.

The party has said in the past that it would not seek the protection of the Nato nuclear umbrella once it had abandoned its own nuclear weapons. But Mr Denis Healey, the shadow Foreign Secretary, who said Nato should seek to raise the nuclear threshold and move towards "no first use" of nuclear weapons, yesterday acknowledged that Nato's strategy in central Europe had to be indivisible. Britain, he said "must accept the agreed strategy of the alliance until it succeeds in changing."

Labour's plans which call for the cancellation of Trident, the decommissioning of Polaris and the removal of all US bases from Britain, were immediately attacked by Mr George Younger, the Defence Secretary. He warned that the "desperately dangerous" proposals would threaten the future of Nato, make Europe "safe for conventional war" and almost certainly mean the reintroduction of conscription.

Announcing Labour's plans, the party leader Mr Neil Kinnock said the country was faced with a choice between "nuclear pretence and conventional defence." He claimed the Government's nuclear defence policies, which had been pursued at the expense of conventional weapons, had not enhanced the nation's security.

He saids that there was now widespread acceptance in the US that the UK's nuclear contribution was "marginal."

Mr Kinnock emphasised that the removal of US nuclear bases from the UK would be the subject of "discussions not negotiations" with the allies, who would recognise the sovereign rights of a British Government.

He said the removal programme could technically be carried out within about a year but political considerations could mean a longer time-scale.

Mr Denzil Davies, Labour's defence spokesman, claimed that the Government, if re-elected, would be forced to conduct a defence review that would lead to substantial cuts in conventional defences.

UK building societies to merge

BY HUGO DIXON IN LONDON

THE NATIONWIDE and Anglia building societies are planning to merge in what would be by far the largest such merger ever, it was announced yesterday.

The new society to be called the Nationwide Anglia Building Society, would be the third largest in the UK with assets of over £18bn. A merger would substantially close the large gap which now exists between Nationwide, already the third largest society, and the market leaders – the Halifax and the Abbey National.

However, there is no guarantee that the merger will go ahead. Many proposed building society mergers, most notably the Nationwide's own plan last year to merge with the Woolwich Equitable Building Society, have failed because of incompatibility.

Competitive pressures, which are likely to increase next year when the 1986 Building Societies Act comes into force, were given as the main reason behind the merger.

"The greater size, financial strength and branch and agency network of the new society will equip it to succeed in today's competitive market," Mr Leonard Williams, chairman of Nationwide said. He said both societies had similar views about how they should develop services offered in future.

The larger society would be better able to move into the new markets that societies would be allowed to enter under the new legislation.

In particular, the Anglia would be able to benefit from Nationwide's estate agency network of 300 offices, the largest in the industry; and Nationwide from Anglia's experiments in cashless shopping.

Another new priority area for the merged society would be housing development, Mr Tony Stoughton-Harris, the Anglia's chief general manager, said. He thought it would soon be building 2,500 houses a year, mainly for old people and first-time buyers.

Also important, but lower down the list, would be unsecured lending, current account facilities and new investment products, such as unit trusts, personal equity plans and shares. The Anglia has already announced plans to operate a share-dealing service through its branches in a deal with Hoare Govett, the stockbroker.

Both societies said a merger would bring cost savings.

The merger will take effect on September 1 1987, provided it is approved by at least 75 per cent of each of the societies' members early next year.

Europe cashes in on UK bargains

BY WILLIAM DAWKINS IN BRUSSELS

FRENCH and Belgian Christmas shoppers can find plenty of bargains by taking a day's shopping spree to Dover, but Britons would do better to buy their seasonal gifts at home.

These are the main conclusions of a survey of shops on both sides of the Channel published yesterday by BEUC, the European consumers' association.

The study compares the prices of 144 products bought recently in Calais, Dover, Ostend and Canterbury, and shows how continental European consumers can save small fortunes by slipping over to Britain for a shopping expedition.

It underlines – to the benefit of discriminating bargain-hunters – how the advent of a European common market in consumer goods, is a long way off.

An Amstrad microcomputer, for instance, costs well over twice as much in Calais – FFr 3,990 ($602.9) – as it would in Dover, where the same machine can be picked up for just £199.99 ($285.4). Cameras, meanwhile, are in general 26 per cent more expensive in Ostend and 32 per cent dearer in Calais than in Dover, the survey claims.

A limited number of products are still cheaper for British citizens to buy across the Channel, such as wine, Le Creuset cooking pots, a number of cosmetics and some films and audio cassettes.

But British shoppers will have to choose carefully to justify continental shopping sprees, for Calais and Ostend come out on average 23 per cent more expensive than Dover and Canterbury.

Many of the price differences can be explained by differing VAT rates and the recent weakening of sterling.

A Belgian family of four could save the equivalent of BFr 6,771 ($161) after having paid carberry fares, by buying just short of BFr 25,000 worth of consumer goods in Britain. A Frenchman could make an even larger proportional saving of FFr 884 ($133.6) on a FFr 1,733 shopping trip to Dover.

Consumers Without Frontiers, available free from BEUC, Rue Royale, Boite 3, B-1000, Brussels, Belgium.

Mitsui to buy Exxon building

Continued from Page 1

$248m or 34 cents a share from the sale of its 50 per cent interest in the Exxon building. The sale is expected to be completed before the end of the year.

In the year-ago fourth quarter, Exxon reported net earnings of $1.8bn or $2.43 a share on revenue of $24.7bn. Exxon said the sale of the building was part of the company's overall restructuring efforts, which also involve a previously-announced reduction in its New York headquarters staff.

The sale of the office building, owned jointly with the Rockefeller group since it was first occupied in 1972, was announced to employees in late October.

In late November the company rejected all bids so far received as inadequate, including the original bid by Mitsui. It was not revealed by how much Mitsui's original bid was raised to clinch the deal.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Dubrovnik	S	14	57	Malta	F	16	61	Rhodes	S	17	63
Algiers	C	14	57	Edinburgh	F	4	39	Manchester	F	4	39	Rio de J'o	C	26	79
Amsterdam	F	6	43	Faro	S	14	57	Manila	S	30	86	Rome	S	13	55
Athens	C	19	66	Florence	S	13	55	Melbourne	F	27	81	Salzburg	C	1	34
Bahrain	S	20	68	Frankfurt	S	6	43	Mexico City	S	25	77	San Francisco	F	17	63
Bangkok	S	31	88	Funchal	C	18	64	Miami	C	26	79	Seoul	F	9	48
Barcelona	F	7	45	Geneva	C	7	45	Milan	F	7	45	Singapore	S	28	82
Beirut	–	—	—	Gibraltar	S	15	59	Montreal	–	—	—	Stockholm	F	7	45
Belfast	C	7	45	Glasgow	F	5	41	Moscow	S	-5	23	Strasbourg	Fg	5	41
Belgrade	S	2	36	Guernsey	F	5	48	Munich	Fg	0	32	Sydney	S	24	75
Berlin	S	6	43	Helsinki	S	3	37	Nairobi	R	18	64	Taipei	C	21	70
Biarritz	F	13	55	H. Kong	F	15	66	Naples	S	15	61	Tangier	S	14	57
Bombay	S	28	82	Innsbruck	S	5	41	Nassau	S	28	82	Tel Aviv	C	17	63
Bordeaux	F	11	52	Inverness	F	5	41	New Delhi	S	27	81	Tenerife	F	21	70
Brussels	F	7	45	Islamabad	C	20	68	New York	C	5	43	Tokyo	S	18	64
Budapest	C	-3	27	Istanbul	F	9	48	Nice	C	13	55	Toronto	—	—	—
B. Aires	R	30	86	Jakarta	C	32	86	Nicosia	C	18	64	Tunis	F	15	59
Cairo	F	28	84	Jersey	S	9	48	Oporto	F	9	48	Valencia	S	15	59
Cape Town	S	32	90	Jo'burg	C	22	72	Oslo	F	5	41	Venice	S	9	48
Caracas	C	20	70	Lima	C	21	70	Paris	Fg	6	43	Vienna	C	-2	28
Casablanca	S	15	59	Lisbon	S	9	48	Peking	F	9	48	Warsaw	C	3	37
Chicago	C	3	27	London	S	7	45	Prague	C	-1	30	Washington	—	—	—
Cologne	C	5	43	Los Angeles	C	16	66	Reykjavik	C	-3	37	Zurich	C	5	41
Copenhagen	F	7	46	Luxembourg	C	3	37								
Corfu	S	16	61	Madrid	C	15	50								
Dallas	–	—	—	Majorca	C	13	55								
Dublin	F	5	46	Malaga	S	15	59								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US arms deal plea

Continued from Page 1

ing that he learned of the Iran-Contra link just two weeks ago from Attorney General Edwin Meese.

"He's saying they (the CIA) have no knowledge of what happened," Mr Yatron, a member of the committee, said after the session.

Separately, there were reports that members of the Senate Intelligence committee which is investigating the affair in closed door hearings has so far been unable to trace the flow of profits from the arms dealings.

The White House has said that between $10m and $30m of profits from the arms sales were channeled to the Contra rebels through numbered Swiss bank accounts.

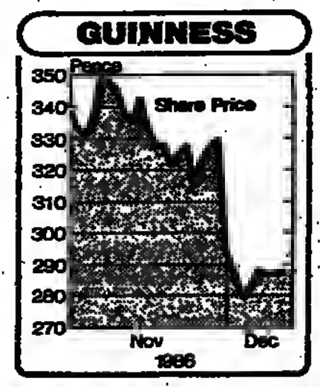
The Justice Department is asking for an independent counsel to investigate the dealings citing Lt Col North as one of the targets of the investigations.

Senator David Durenberger, the Republican chairman of the Senate committee said "We do not know how much money the Contras got, or if they got it at all."

Mr George Shultz, the US Secretary of State, said during his trip to Europe that he had reassured European foreign ministers that the Iran affair was not like Watergate. "In this case there is the desire of the President to see everything comes out."

THE LEX COLUMN

Blowing froth off Guinness



An ordinary stock unit in Guinness is at present a strange form of hybrid security. One part of the package consists of the Guinness business, its earnings stream, its performance and prospects; the second and more exotic part is called a DTI warrant. At last night's close, the whole package was worth some 288p, but there is no disguising the market's difficulty in valuing this novel form of paper.

The month figures that Guinness issued yesterday suggest that there is little fault to be found with the business. It is particularly reassuring to see the robust way in which Guinness has ridden out some difficult patches – notably the devaluation in Nigeria and the squeeze on the US spirits trade. Despite these reverses, the enlarged Guinness has come through to September with pre-tax profit of £241m, beating the forecast made in connection with the Distillers bid, and avoiding any hint of dilution.

Guinness has been able to say enough about its efforts at rationalising the whisky industry to bolster City belief in the rapid growth of earnings over the next three to four years at least. Reductions in cost and shaking out of cash (from surplus head offices, bottling facilities, and peripheral activities) appear to underwrite the first two years. It is then not hard to believe that restricting the output of the distilleries and getting the brand marketing right – all on lines that the operational management already has in hand – will keep the trend going for a year or two after that.

On this basis, there should be no difficulty in valuing Guinness shares at 330p or more, their price a fortnight ago. That is where the other part of the package comes in. The uncertainty imported by the DTI inspectors has a large negative value which will not disappear until they have reported. If the shares now appear cheap cum DTI warrant, they must be genuinely cheaper after the inspectors have reported – whether the Guinness management is vilified or cleared.

Mercury

Perhaps there is no more than meets the eye in Mr Steinberg's sale of his 15 per cent stake in Mercury International.

He may simply have decided that his efforts to ginger up MIG's shareholder value were getting nowhere and so took a chance profit of over £30m.

He may never buy another MIG share. Somehow that explanation does not satisfy the City of London's conspiracy theorists; who cannot (or do not want to) believe MIG's good luck in escaping without any effort of its own.

What sets the cynics thinking is the 455p price the Canadian National Railway Pension Fund paid for the shares, a hefty premium to yesterday's closing price of 371p, down 32p on the day. Though it may be necessary to pay something over the odds to pick up such a stake, some brokers, not entirely motivated by jealousy, felt that they could have dealt better.

And CNR might wonder at the value it is getting when the shares were 280p in September. It must truly be a long-term investment – or CNR must be very confident of seeing the same price again – for a pound or so on nearly 22m shares not to matter.

Thorn EMI

A company which straddles the divide between recovery and growth stock is bound to cause a degree of confusion. Witness the share price of Thorn EMI which yesterday fell to 484p, a net gain of 7p. Although the interim pre-tax profit of £41.5m was less than expected, the market appears to be less worried about revelations of long-hidden messes than impressed with Thorn's use of the shovel.

Thorn must soon decide whether to close down refrigeration manufacture – more write-offs – or catch up on 15 years lack of investment. Even the core lighting business requires complete restructuring although here at least profits are stable. It may seem a bit late to unwind the merger with EMI, but there must be a case for disposing of the entire music business rather than chase US earnings of low quality. Yet earnings can be improved without such bold strategic steps. The introduction of treasury management at Thorn is already reducing an unnecessarily high interest bill. For the full year Thorn should make about £150m, putting the shares on a multiple of a little over 12, justified by the remaining scope for cleansing of stables.

I C Gas

The referral of Gulf Resources' bid for Imperial Continental Gas to the Monopolies Commission is a shabby affair. The reasons given – that the highly leveraged nature of the bid could result in nasty things happening to Calor customers – bears a close resemblance to the text of an early day motion signed by over 100 Conservative Members of Parliament. With a private secretary to three successive prime ministers on its board, IC Gas is well aware of the powers of political lobbying. Poor old Gulf innocently thought that the OFT clearance of the Elders bid for Allied-Lyons had opened the door to this kind of thing.

Assuming that the DTI has not really swallowed the IC Gas allegation that Gulf will endanger the safety of Calor users, it must be that Mr Channon thinks that financial pressures on Gulf would cause it to abuse an effective monopoly of the domestic bottled gas business. In fact, after disposing of the IC Gas Belgian investments, the merged company's cash flow would be about three times the interest bill. Even if Gulf did intend to abuse its trading position, that could never be proved and would never be admitted.

IC Gas has now formally conceded the wisdom of a break up with its proposal to bifurcate. This conversion to unlocking value at least had the merit of limiting the drop in the share price to only 4p below the lapsed Gulf offer of 530p. The nature of the referral clearly leaves the way open to a more acceptable bidder.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday December 11 1986

Irwin Jacobs puts further pressure on Borg-Warner

BY WILLIAM HALL IN NEW YORK

MR IRWIN JACOBS, the Minneapolis investor, yesterday turned up the pressure on Borg-Warner and said that his investor group was seeking official clearance to acquire "at least 50 per cent" of the embattled Chicago conglomerate.

Last month Mr Jacobs said that he was interested in discussing a possible negotiated purchase of Borg-Warner within a price range of $43 to $48 per share subject to a due diligence review of the company. The offer values the company at up to $4.1bn. Borg-Warner's shares, which have been slipping in recent days, jumped by $1⅞ in early trading yesterday.

Borg-Warner, which is being advised by First Boston, has yet formally to reply to the bid for the company, although sources close to the company have indicated that they do not think that Mr Jacob's proposal constitutes a "bona fide offer."

Mr Jacobs' investor group presently controls a 7.7 per cent stake in Borg-Warner. It plans to request clearance from Federal anti-trust regulators to increase its stake to at least 50 per cent. In a filing with the US Securities & Exchange Commission (SEC), Mr Jacobs said it was continuing to explore strategies for seeking control of Borg-Warner.

His group is considering several options, including continuing its previous proposal or making another proposal for a merger or business combination with Borg-Warner, acquiring additional shares in open-market purchases, or joining with third parties which may be interested in acquiring control of the company.

Many analysts continue to be sceptical of Mr Jacobs' intentions in seeking to take over the company and have suggested that he is more interested on making a profit on his investment. Borg-Warner's ability to remain independent is made more difficult since GAF Corporation, another corporate raider, has a 9.6 per cent stake in the company

FAR-REACHING ITALIAN PROPOSAL FOR LINK WITH MONTEDISON

ENI plans chemicals shake-up

BY ALAN FRIEDMAN IN MILAN

PROFESSOR Franco Reviglio, chairman of Italy's ENI state energy and chemicals group, yesterday proposed a far-reaching rationalisation of the Italian chemicals industry by means of a series of joint ventures and mergers between subsidiaries of ENI and of the private sector Montedison group.

The Reviglio proposal, which marks a change in strategy at ENI, covers ENI and Montedison companies operating in base chemicals such as ethylene, man-made fibres, fertilisers and synthetic rubber products. The eight subsidiary companies under discussion (four each at ENI and Montedison) represent combined turnover of nearly $5bn.

Mr Giorgio Porta, managing director at Montedison, said yesterday in response to the Reviglio proposal that the Milan-based Montedison "will demonstrate the maximum willingness to examine industrial projects which concern collaboration, joint ventures and mergers."

Both Prof Reviglio and Mr Porta stressed yesterday that the aim of such ventures or mergers would be to achieve a rationalised business which had an enhanced ability to compete on an international scale.

Montedison and ENI have already been talking for several months about how to combine forces in the bulk chemicals sector.

One of the Reviglio initiatives concerns prospects for co-operation between Montedison's ethylene plant at Porto Marghera near Venice and the chemicals businesses run by Enichem (the ENI chemicals subsidiary) at Priolo, Porto Torres and Gela. At present Montedison has 25 per cent of the domestic Italian ethylene market share, while Enichem has 75 per cent.

In the man-made fibres field, where Montedison's Montefibre subsidiary has L1,684bn ($780m) of turnover and Enichem fibres has L684bn of sales, Prof Reviglio is also proposing joint ventures. Montefibre is strong in acrylics and polyester, while Enichem fibres is specialised in nylons as well as acrylic and polyester.

In the fertiliser sector, Montedison's Agrimont subsidiary has L1,150bn of annual sales, against Enichem Agricoltura's L1,050bn. Together the two groups account for 55 per cent of all Italian fertiliser exports.

In the rubber sector Montedison's Dutral business made a L1bn loss on L160bn of turnover last year, while Enichem's subsidiary made a tiny profit on L803bn of revenues.

The negotiations between ENI and Montedison are expected to begin shortly, but could take many months before any agreement is reached.

New business inflow at MAN drops on D-Mark's sharp rise

BY ANDREW FISHER IN MUNICH

MAN, the biggest mechanical engineering group in West Germany saw the inflow of new business drop sharply in the first four months of the current financial year as a result of tougher conditions in export markets.

Mr Klaus Götte, the chairman, said the sharp rise in the value of the D-Mark had made export sales much harder, a complaint now being voiced by a number of leading German companies.

Total new orders showed a fall of 18 per cent in the first four months of the financial year from July 1, 1986, to DM 3.93bn ($1.96bn) compared with the July-October period of 1985.

New business from abroad was down by as much as 30.5 per cent to DM 1.74bn, while domestic orders were flat at DM 2.19bn. The result of the sharp decline in new non-German orders was a fall in the export share of the total inflow from 54 to 44 per cent.

Mr Götte said that weaker demand from developing and Opec countries had also hit foreign business. However, the lumpy nature of MAN's order flow affected the comparison as well; last year's figure included several big contracts, while the July to October period of 1986 concluded only one.

Despite the drop in orders, Mr Götte said MAN aimed to try and keep profits around the same level as in the past two years. "We are living in, for us, uncertain economic times," he commented.

MAN, which recently underwent a major corporate overhaul after two years of loss up to 1984, last year made a net profit of DM 122m. This compared with DM 128m in 1984-85 (after deducting the DM 375m capital gain on the sale of its half share in the MTU engine company to Daimler-Benz).

Mr Götte made clear that the restructuring, which has included a shift in corporate headquarters to Munich from Oberhausen in the Ruhr and a more centralised structure, was still partly in progress.

MAN's businesses include commercial vehicles, plant and heavy machinery, printing equipment, and diesel engines. The restructured group resulted from the full merger this year between MAN and its parent, Gutehoffnungshütte (GHH). The latter raised its stake from 75 per cent to full ownership, with the new company then taking the name of MAN.

Mr Götte said that MAN was by no means satisfied with the profits it made last year. The total order inflow was down by 6.6 per cent to DM 14bn, with turnover 3.5 per cent lower at DM 14.1bn. Again, the uneven timing of large contracts helped depress new orders.

W. German unions in talks to sell insurer

BY OUR FRANKFURT STAFF

WEST GERMANY'S trade unions have been holding talks with the country's savings banks' association about the possible sale of the union-owned Volksfürsorge insurance group.

Both sides yesterday said that initial discussions had taken place, though adding that these did not amount to full negotiations.

The sale of the insurance group has been mooted for some time, as Germany's unions have been trying to shed their commercial interests in the wake of the debacle over the sale and repurchase of Neue Heimat, the loss-ridden housing group.

Volksfürsorge, with premium income, including life business, of around DM 4bn ($2bn) annually, is one of Germany's largest insurance concerns. It operates through 35,000 part-time workers, mainly trade unionists, who keep in direct contact with customers.

The trade union holding company, BGAG, said last night the savings association would be its preferred candidate for a full or partial sale of the insurance company. The savings movement, organised under the Bonn-based German Sparkassen and Giro Association, includes nearly 600 regional savings banks, as well as state savings, mortgage and loan associations.

The association itself said the question of whether to buy or take a stake in Volksfürsorge had still to be discussed by its board. No final decision will be taken until next year.

The unions have already sold control of Bank für Gemeinwirtschaft to the Aachener and Münchener insurance group for nearly DM 2bn. No price has been mentioned for Volksfürsorge, for which a partial flotation has also been considered.

Mr Hans Matthofer, the former finance minister who is soon to take over as head of BGAG, is also believed to be considering the sale of some of Volksfürsorge's 3m DM 50 shares to employees.

Storage Tech sees end to Chapter II

BY LOUISE KEHOE IN SAN FRANCISCO

STORAGE TECHNOLOGY, the US computer memory systems manufacturer, expects to emerge from Chapter 11 bankruptcy proceedings early next year, following the approval this month of its reorganisation plan by creditors and shareholders.

Storage Technology said its reorganisation plan would pay creditors 100 per cent of their claims, which total about 650m, and that the plan had been approved by the bankruptcy court.

The company expects the court to confirm the re-organisation early next year with distribution of cash equity and notes during the first half of 1987.

"Storagetek has achieved one of the largest and quickest re-organisations in business history." Mr Ryal R. Poppa, chairman and chief executive, said. More than 95 per cent of creditors and shareholders voted in favour of the re-organisation, he said.

Storage Technology, which specialises in making IBM-compatible data storage units, filed for protection under Chapter 11 of the US bankruptcy code in October 1984

Philips sells cables subsidiary to managers

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, has sold NKF Kable, a cable company subsidiary, to its managers for Fl 125m ($54.8m) in a venture capital-backed deal that forms part of Philips' restructuring of the division.

NKF makes cables and cable systems for energy transmission and telecommunications, sectors from which Philips decided last year to withdraw to concentrate on optical fibre and other special cable. A management buyout was viewed by NKF as the best way to avoid more job losses under Philips' ownership and a deal was arranged by Venture Capital Investors (VCI), a Dutch venture capital company engaged in investment banking.

Venture Capital Investors is heading a consortium financing 60 per cent of the purchaser. Other consortium members comprise Candover Investments of the UK, European Development Capital of the Netherlands, VCI-controlled funds and private investors. Another 20 per cent will be financed by NKF managers and staff and the remaining 20 per cent by Philips.

NKF, which is based in Rijswijk, has annual sales of about Fl 450m and three factories in the Netherlands. It employs 1,500 people

Philips has been restructuring its cable division for some time, reducing its stake in Draka Kabel to 20 per cent last year and deciding recently to sell a division of PKI, a 70 per cent owned subsidiary. Its optical-fibre cable systems production capacity and personnel have been increased.

Pallas seeks control of bank

BY OUR FINANCIAL STAFF

PALLAS Group, the Luxembourg-based financial group, is seeking to acquire a controlling stake in Banque Privée de Gestion Financiere (BPGF), which it hopes to use as a base for its French development.

Pallas, established in 1984 by Mr Pierre Moussh, the former Banque Paribas chairman, said it wanted to use as the bank as "the core of our French activity." Negotiations are under way with Banque Paribas of France, which controls 37 per cent of BPGF.

A Pallas official declined to comment on financial details but said Pallas was ready to take a stake of between 50 per cent and 100 per cent in BPGF.

Stora revises its profit forecast to SKr 1.3bn

By Sara Webb, Stockholm Correspondent

STORA of Sweden, Europe's leading pulp and paper producer, has revised its profit forecast for the full year upwards, prompted by recent increases in pulp prices and stronger demand for pulp.

The group expects profits after financial items to reach SKr 1.3bn ($186m) for 1986, up 18 per cent on last year's figure of SKr 1.1bn. Sales in 1985 totalled SKr 12.9bn.

Stora's optimism stems from the recent recovery in pulp prices, whcih are oow about 10 per cent higher than in the first six months of 1986. The group says that demand for pulp has increased, especially in Europe, its main market.

Pulp accounts for 20 per cent of group sales. Pulp log prices also increased by about 10 per cent at the beginning of August.

Power production has increased at the group's hydropower plants, helped by higher rainfall.

Stora plans to close down three sawmills by mid-1987, with the loss of about 400 jobs, as part of its plan to concentrate oo the production of high quality sawn timber.

Yesterday, the group announced that it would set aside SKr 30m for a new job-creation fund, aimed at encouraging entrepreneurs.

Isodel plans to axe entire workforce

BY DAVID WHITE IN MADRID

ISODEL, a Madrid concern specialising in the manufacture of circuit-breakers, has come near to concluding a long history of troubles with the start of redundancy procedures for all of the company's workforce of over 800.

The move comes after several months of bitter labour conflict and protests against the Banesto Banking Group, which is the main shareholder. Attempts to rescue the company through a link-up with a foreign partner – the Swiss-based Brown Boveri or the French Alsthom-Atlantique – failed, and a viability plan aimed at keeping it in business with a reduced workforce failed to gain sufficient backing.

● Banco Hispano Industrial, merchant banking arm of the Hispano-Americano group, has announced a co-operation venture with British financial advisers Eurofi to help channel EEC funds to Spanish companies. It is the first project of its kind that Eurofi, a leading specialist in the field, has set up in another community country, following Spanish accession at the beginning of the year.

Mr Jaime Carvajal, chairman of Hispano Industrial, said the aim was to advise companies on ways of tapping "discretionary" EEC funds.

Ford to amalgamate three units

BY JAMES BUCHAN IN NEW YORK

FORD, the second largest US motor company, is to amalgamate its tractor and agricultural machinery businesses into a single worldwide operation in an attempt to streamline its efforts in a highly competitive and difficult industry.

Ford announced yesterday that it was forming a new subsidiary to operate from the beginning of oext year, to be called Ford New Holland. The group would cover three main product areas: agricultural and industrial tractors, harvesting and hay-making machinery and diesel engines for tractors and other uses.

The amalgamation, which will see the splitting off of the Ford tractor division into the subsidiary, will entail the concentration of sales offices and spare parts depots and a reduction in administrative staff of about 1,100.

Santa Fe asks for go-ahead on rail merger

By Our Financial Staff

SANTA FE Southern Pacific, the US railway and property group, has asked the Interstate Commerce Commission (CICC) to re-open proceedings on the proposed merger of its two railway lines.

In July the ICC rejected the merger of the lines – the Atchison, Topeka and Santa Fe railway and Southern Pacific Transportation – on the grounds that it would stifle competition in the south-west US.

Since then, Santa Fe has reached agreement with two of its competitors in the hope of easing the ICC's concerns. The agreements – with Union Pacific and Denver and Rio Grande Western Railroad – would allow the rival groups to run trains over lines that would be operated by Santa Fe's combined railroads.

Last month Santa Fe said it would take a $914m pre-tax charge in the fourth quarter for restructuring, leaving the group in the red for the year. It has completed a study to determine the costs of restructuring with or without the proposed merger of its two lines.

INTL. COMPANIES AND FINANCE

General Cinema lifts Carter Hawley stake

BY OUR NEW YORK STAFF

GENERAL CINEMA, the US theatre chain and soft-drinks bottler, has increased its voting stake in Carter Hawley Hale and looks set to exact a handsome price for its defence of the embattled West Coast retailer.

The group, which operates the largest cinema chain in the US and is the major independent bottler of Pepsi-Cola, paid $180m for 3.5m shares in Carter Hawley, raising the stake to 47.3 per cent of its voting strength. On Monday, Retail Partners – a consortium of The Limited and the Edward Debartolo Corporation – dropped its second bid for Carter Hawley after the retailer announced the splitting of its department stores and an agreement for General Cinema to increase its holding to 50.1 per cent.

General Cinema, which was recruited by Carter Hawley as major shareholder to fight off the first bid from The Limited two years ago, is poised to capture the plums of the restructured business. Under the terms of the restructuring, General Cinema will inherit a 44 per cent voting stake in the spin-off of the Carter Hawley speciality stores, which include such famous names as Neiman-Marcus and Bergdorf Goodman, the Fifth Avenue store.

While Carter Hawley was offering shareholders a mixture of cash and shares in the two stores, businesses thought to be worth about $50 a share, *The Limited* increased its offer to $60 a share or $1.9bn to try to dislodge General Cinema.

Fluor reports $29m fourth-quarter loss

BY WILLIAM HALL IN NEW YORK

FLUOR, the US construction and process engineering group which announced a $633m loss last year and barely broke even in the first nine months of the current year, posted a fourth-quarter loss from continuing operations of $28.8m.

At the net level the company lost $56.6m in its final quarter after including a $27.8m loss on its offshore drilling operations which have been sold. For the full year Fluor lost $28m from continuing operations compared with a loss of $553.7m last year. At the net level the company lost $60.4m, or 76 cents a share, in the year to end October compared with $633.3m, or $8.01 a share, a year before.

The group's revenues rose from $4.1bn to $4.7bn in the year. Mr David Tappan, Fluor's chief executive, said that both years included one-time gains and losses associated with restructuring the company in response to changing market conditions.

Results for 1986 include a net gain of $26.9m while 1985 results include a net loss of $400m from restructuring actions.

"1986 was a difficult year, but operations showed improvement and most of the milestones in our restructuring programme were achieved," Mr Tappan said. The engineering and construction group cut its losses despite sizeable overruns on contracts awarded to Fluor Constructors under extremely competitive market conditions.

Odeco sees $203m write-off in quarter

BY OUR FINANCIAL STAFF

OCEAN Drilling & Exploration (Odeco), the New Orleans-based company which owns one of the largest US fleets of offshore drilling rigs, expects to take an after-tax charge of about $203m in the fourth quarter of 1986.

The company, which is 59.6 per cent owned by Murphy Oil, has been losing money this year, along with its competitors, in the wake of falling oil prices and depressed drilling activity. In 1985 Odeco made a profit of $34m on revenues of $648m, and yesterday's announcement is likely to put the company deeply into the red

The charge will include a pre-tax provision of about $170m for the writedown of offshore contract drilling rigs, and Odeco's investment in a drilling joint venture. It also takes in a $59m pre-tax writedown of oil and natural gas properties and a $34m provision for income taxes on undistributed earnings of foreign affiliates.

The company said the writedown of assets reflected the application of appropriate accounting principles and implementation of a plan to prepare it for "the lean, daunting environment that we forsee for the future."

For the first nine months of 1986, Odeco reported a loss of $42.1m

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE DECEMBER 5

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.547	−0.582	10.360	8.547
Australian Dollar	14.015	0.071	14.630	12.830
Canadian Dollar	10.141	−0.782	11.704	10.141
Euroguilder	5.989	−0.083	6.314	5.804
Euro Currency Unit	8.642	−1.109	9.524	6.164
Yen	6.274	0.000	7.002	6.207
Sterling	11.354	0.168	11.932	9.751
Deutschemark	6.361	−0.733	7.080	6.318

Bank J. Vontobel & Co Ltd, Zurich • Telex: 812744 JVZ CH

Australia to reform dividend tax

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN Government yesterday unveiled the details of its long-awaited reforms to end the double taxation of company dividends.

The changes, described by Mr Paul Keating, Treasurer, yesterday as "revolutionary," are part of a wider set of reforms covering cuts in personal tax and new taxes on fringe benefits and capital gains.

An announcement is still awaited, however, on the planned imposition of a gold tax on mining companies. The Labor Government is thought to remain divided on the question because of its potential electoral implications.

Yesterday's changes are due to come into effect from July 1 1987 following the introduction nf legislation in the New Year. A simultaneous 3 per cent increase in the company tax rate to 49 per cent will reduce the gross cost of A$775m ($506m) to A$300m.

The new arrangements will tax profits once at the company level, but not a second time at the personal level, when those profits are distribnted as dividends.

This is expected to benefit people who own thair own companies and those who invest their savings in the share market. In redressing the tax system's bias favouring debt over equity, it is intended also to help new businesses to get off the ground through equity financing.

The effect on shareholders' pockets is revealed by Government calculations which show that, currently, a shareholder in the top tax bracket of 60 per cent is effectively taxed on his dividends at a rate of more than 78 cents in the dollar.

The new system, together with the already-announced cut in the top personal rate to 49 per cent, will bring ths figure down to no more than 49 cents. It will also mean there is no longer an advatage in using incorporation to avoid the top rate

Under the new scheme, known as an imputation system, individual shareholders who receive dividends out of taxed profits will have the tax which la paid by the company imputed to them as a credit.

The total value of dividend and imputed credit is then notionally liable for income tax at the shareholder's marginal tax rate. Someona on the maximum 49 per cent rate would effectively receive a tax-free dividend, while someone on a rate of less than 49 per cent would have an excess credit which can be used to reduee tax paid on non-dividend income.

The changes also affect dividends paid from profits which have not borne company tax. These will not carry imputation credits, and will remain taxable in tha hands of shareholders.

This differs from the original government proposal, under which such dividends would have been subject to a compensatory tax.

According to Mr Keating, the compensatory tax would have imposed a new 49 per cent tax on dividends paid to generally tax-exempt institutions such as life offices and superannuation funds.

In addition, a statement from the treasurer's office said that the approach would have disadvantaged several industries, in particular mining and petroleum, and in some cases would have imposed on increased burden on Australian companies receiving income from abroad.

The changes make clear that dividends paid to non-residents out of company income which has not borne company tax will remain liable for the existing 15 per cent dividend withholding tax.

Bell sees need for acquisition

BELL GROUP, the Australian resources and property group, must make a significant acquisition to restore the balance of its equity-to-operating base, Mr Robert Holmes à Court, the company's chairman, told the annual meeting yesterday, Reuter reports from Perth.

Bell has raised A$1.8bn (US$1.16bn) in equity and deferred equity in the past 12 months. "The result of this equity expansion is that we are currently out of balance. Our equity base, the size of the company, has grown faster than our operating base," he said.

"To get the company in balance, the size of our company and the size of nur operations, it is going to be necessary to make a very major acquisition sooner or later," Mr Holmes à Court said.

"No particular plans exist at this time. But it would be wrong to say that we don't have many alternatives under active consideration."

Discussing Bell's 29 per cent stake in Broken Hill Proprietary, Mr Holmes à Court said Bell was happy with the nperation of ogreements between the two companies

He said his group is watching with interest the effect of new Anstralian medio regulationa on its existing and future investments, adding that it had been negotiating the purchase of some Herald and Weekly Times assets only the day before Mr Rupert Murdoch's News Corporation unveiled its planned bid last week.

Malaysian minister sells holdings

MR DAIM Zainuddin, the Malaysian finance minister, announced yesterday that he has sold his controlling stake in United Malayan Banking and will sell his shares in 16 nther companies, 13 of them listed on the Kuala Lumpur Stock Exchange, Reuter reports from Kuala Lumpur.

Mr Daim said the move was in line with a Cabinet directive that ministers should sell their direct and indirect holdings in quoted companies to avoid any conflict of interest. Tha directive followed opposition allegations that the millionaire minister's involvement in the firms represented a conflict of interest. Mr Daim did not say what the shares were worth.

Stockhrokers said the sales, which require the approval of the regulatory authorities, were likely to depress prices nn the KLSE. Mr Daim said his majority stake in UMBC, the country's third largest commercial bank, was sold last month to a state-owned investment group Permodalan Nasional (Pernas).

Reliance share offer heavily oversubscribed

By R. C. Murthy in Bombay

THE PUBLIC offer to local investors of Rs 1.32bn ($100m) debentures by Reliance Industries, India's fastest growing company was 5.5 times oversubscribed.

The response to the debenture issue was overwhelming, despite adverse media publicity and last minute efforts by the company's adversaries to stall it through legal injunctions.

The second phase of the Rs 4bn debenture flotation will begin on December 22, when RIL's Rs 880m debenture offer to expatriate Indians opens in the UK, Hongkong and the Middle East for subscription.

Merrill Lynch has been chosen as technical adviser to the overseas debenture issue. Lazard of the US and Salomon Brothers were also known to be competing for the mandate.

The Rs 4bn capital issue, which includes a Rs 1.36bn rights offer to Reliance shareholders, is expected to be oversubscribed at least twice.

● India's first mutual fund for domestic investors, called Mastershares, has received subscriptions for Rs [illegible]. The Government-owned unit trust of India, which launched Mastershares, has decided to accept Rs 1.5bn and refund Rs 80m to investors.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Clare Pearson on the aftermath of the crisis in the undated floating-rate note market

Fate of perpetual FRNs in the balance

THE SMOKE is now clearing over the battlefield of the perpetual floating-rate note (FRN) market. After last week's crisis, when trading in perpetual floaters was temporarily suspended following massive price falls, the sector is now stabilising. Prices of some older issues for better-known names have even risen above par.

Yet the fate of the market still hangs in the balance. The new issues side remains closed for the moment and no one is hazarding any guesses about when it will re-open—or at what price levels.

How important is the shutdown for banks, which are the main users of perpetual FRNs? Perpetuals represent a cheap and easy means of raising capital for banks in many countries. Indeed, the market was just opening up for many institutions which had only recently been given the green light to treat perpetuals as primary capital.

The UK clearing banks were the first to issue primary capital perpetual FRNs in the face of pressure to expand their capital bases. For them, the crisis does not create pressing problems as they have now raised large amounts of capital in the form both of perpetual FRNs and of equity.

The clearing banks could issue further perpetual floaters if they so wished. The Bank of England allows them to keep 50 per cent of their equity base in the form of perpetual FRNs. National Westminster Bank currently has only 24 per cent of its equity base in this form.

According to stockbroker Hoare Govett, as at the end of June, Barclays had 25 per cent as perpetual FRNs; Lloyds had 47 per cent, and Midland likewise. Standard Chartered was over its limit at 70 per cent, meaning that some of its perpetuals did not count as primary capital but nevertheless provided cheap long-term funds.

One big attraction of perpetuals for the clearers is that they can match their capital with their assets, about half of which are denominated in currencies other than sterling. Moreover, they are a cheaper source of raising funds than rights issues and do not dilute earnings per share. And perpetual floaters are a useful way of refinancing longer-term loans.

The perpetual market has also enabled the UK merchant banks to enhance their low capital bases, an essential move if they are to compete with much bigger rivals in the growing international securities market.

The merchant banks are likely to find it more difficult than the clearing banks to re-enter the market since there has always been some resistence to their paper. Robert Fleming's recent deal, for instance, which was issued days before the market cracked, has fallen in price dramatically.

Outside the UK, French banks have recently tapped the market to increase their capital ahead of privatisation. Canadian issues have also emerged this year, as have perpetual issues from Australian banks after rule changes from the regulators.

Canadian banks were already suffering from a tarnished image before the recent crisis. A crop of 99-year issues launched during the summer, which included provisions for coupon payments to be reduced pro rata with dividend payments, did not go down well with investors.

UK BANK PERPETUALS Since May 1985	
Issuer	$m
Lloyds	1,850
Standard Chartered	1,300*
Midland	1,550
NatWest	1,500
Barclays	1,350
Royal Bank of Scotland	350
Bank of Scotland	250
Kleinwort Benson	225
Morgan Grenfell	200
Robert Fleming	100
Rothschilds Continuation	250

* Also £150m in sterling

For US banks the crisis came at a critical moment; the market had only just opened up for them. The US Federal Reserve Board has theoretically allowed perpetuals for some time, but banks had been put off from issuing them because of a tax problem. The Internal Revenue Service argued that because the issues were effectively equity, interest payments were not tax deductible.

At the beginning of last month, Goldman Sachs devised a way round this problem with a $500m deal for Citicorp. This incorporated a put option, enabling investors to sell the paper after 30 years. Citicorp's paper accordingly gained a theoretical finite life, so that the IRS would allow interest payments to be tax deductible. Moreover, the deal could still count as primary capital in the eyes of the Fed because the put option was exercisable against further paper issues rather than against cash.

This feature, combined with an attractive conpon, meant that Citicorp's issue did not suffer so much as some others last week. Theoretically, the market should reopen for such issues faster than for, say, the UK clearing banks, which are not allowed to issue perpetuals with put options.

The other main prospective issuers are the Japanese banks, traditionally the biggest investors in perpetuals. The possibility of a large volume of issues by Japan's city banks was one of the factors that led to the recent nervousness in the market.

Now the dust has settled, the market is counting the consequences. The Cassandras always expressed doubts about whether a market in undated FRNs could last, and many were surprised in 1985 by the good response to the initial UK clearing bank issues.

But what these early deals had in their favour was a hefty yield over London interbank offered rate (Libor), a feature which became eroded as further issues were launched.

Even at more generous margins over Libor, perpetual FRNs—if they reappear at all—will still represent a cheaper and more flexible means of raising capital than the equity market. On the other hand, after recent events, lead managers will have to tread more carefully.

Convertible for Brierley likely to be increased

BY HAIG SIMONIAN

A GOOD crop of new issues in the Eurobond market kept syndicate managers busy yesterday. By contrast, colleagues in the secondary market for dollar-denominated paper had a quiet pre-Christmas day. Prices for fixed-rate paper were up a shade at the long end and there was also selective interest in floating-rate notes (FRNs).

Morgan Stanley International launched a $75m 7¾ per cent 1992 deal for Brierley Investments Overseas, priced at 100½. Guaranteed by Brierley Investments, the New Zealand conglomerate, the issue is convertible at the investor's option every three months for the first three years into a non-callable five-year FRN.

The floater pays 20 basis points over three month London interbank offered rate and investors must pay a ½ per cent penalty to convert.

This is the third such convertible deal launched by Morgan Stanley International, which thinks the attractive terms will help investors overcome a still unfamiliar name. Mr Ron Brierley's foreign operations and a acquisitions have been drawing increasing attention, but Credit Suisse First Boston probably had its work cut out selling the recent 8¼ per cent deal it led for the same borrower.

The new Brierley issue, which was being quoted to less 1½ less 1 by the lead manager, may even have benefitted from CSFB's earlier marketing efforts. By late afternoon, the signs were that the issue's size would be increased to at least $100m.

The borrower has not commented on the likely use of the proceeds. Though Mr Brierley failed in his recent attempt to take over Ocean Transport and Trading of the UK, his name is being widely tipped—among many others—in the bid tussle over the Herald and Weekly Times media group in Melbourne.

Union Bank of Finland issued a $100m 7¼ per cent 1992 par priced bond, led by Nikko Securities (Europe). The non-callable issue is not expected to be traded as the paper has already been placed with end-investors.

In Canadian dollars, the Province of Quebec issued a C$150m 9 per cent 1997 bond. Led by Societe Generale, the paper was priced at 100⅞.

The non-callable deal was launched at a 40 basis point margin over equivalent Canadian Treasury Bonds. The 10-year maturity could however be too long for retail investors, admitted the lead manager, which was quoting paper just outside fees at less 2½.

Banque Paribas Capital Markets chipped in to the revival of the Ecu market with a two sided Ecu 200m deal for the Kingdom of Denmark. The first tranche is a Ecu 100m 7⅞ per cent 1992 bond, priced at 101⅛. The second element is a Ecu 7⅞

INTERNATIONAL BONDS

per cent bond, priced at 101⅛. Both elements are non-callable.

The vast majority of the paper was being sold into Japan, according to the lead manager, which argued that the Ecu market has now split into two groups. Japanese buyers, by far the key element in the market, are very interested in paper of between seven to 10-year maturities, while there is Swiss retail interest in very short maturities. Traditional Benelux investors, meanwhile, have gone to ground, preferring paper denominated in a single national European currency on the expectation of interest rate cuts. Both tranches were being quoted at less 2, less 1½ by the lead manager.

Late in the day, Midland International Financial Services, guaranteed by the parent Midland Bank, made its debut in yen with a Y15bn 1992 targeted issue led jointly by IBJ International and — another debut—Chuo Trust Asia.

Priced at 101⅛, the issue pays a variable coupon based on a formula linked to five-year Japanese domestic bank debentures.

This is a specially tailored targeted issue. No interest payments will be made before January 1989, after which there will be one single payment of interest to be made at any time before final maturity.

The coupon for the $150m straight issue for Jacobs Suchard International Finance (Cayman) was set at 3 per cent and the pricing was set at par. The exercise price for the "A" warrants is SFr 880 and that for the "B" warrants SFr 900.

The coupon for the $190m convertible issue for the Development Bank of Singapore was set at 4 per cent.

The D-mark market traded thinly yesterday, and at the close prices were mostly unchanged.

Bayerische Landesbank led a DM 150m 10-year issue for the European Investment Bank. The deal has a coupon of 6¼ per cent and par issue price.

Deutsche Bank led a DM 100m 10-year 2¼ per cent equity warrants bond for Jacobs Suchard International Finance (Cayman), a financing arm of the Swiss food group which on Tuesday launched a dollar bond.

Each DM 2000 bond of yesterday's issue carries two different types of warrant: an "A" warrant with a four-year life exercisable into Suchard shares at SFr 860, and a six-year warrant exercisable into SFr 900. Yesterday Suchard's shares closed at SFr 860.

The Swiss franc bond market closed with prices slightly firmer following active trading.

Union Bank of Switzerland issued a SFr 150m equity warrants note for Keio Teito Electric Railway. The issue has an indicated coupon of 2¼ per cent but will be priced on December 16.

Meanwhile Handelsbank fixed the terms of a recent SFr 300m equity warrants deal for Standard Chartered Bank. The 10-year issue's coupon was fixed at 4 per cent, as had been indicated. Warrants are exercisable at £8.70, which represents a 9.43 per cent premium over yesterday's closing price.

Algemene Bank Nederland led a Fl 250m domestic eight-year 6¾ per cent bond for Rhone-Poulenc.

Late in the day, in Canadian dollars, Wood Gundy launched a C$250m 7¾ per cent 1996 convertible issue for the fast growing US airline, Pacific Western Airlines. Only C$75m of the total is being issued internationally, with the remainder being sold domestically.

Austrian brick maker in share offer

By Our Euromarkets Staff

VEITSCHER Magnesitwerke, the Austrian heat-resistant-brick producer, yesterday announced an international share offering worth about DM 30m equivalent.

DG Bank is arranging tha offering which represents 3 per cent of the existing share capital. The shares will be sold at ASch 1,147 each, which compares with a closing price on December 9 of ASch 1,149.

Veitscher Magnesitwerke is Austria's third largest company in terms of market capitalisation. It has recently obtained a listing of its shares in Frankfurt and Munich.

At the end of the last financial year, the company reported net profits of ASch 133m on turnover of ASch 4.75bn.

Paris to place 20% of Paribas

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government plans to create a hard core of friendly shareholders for Paribas, the investment banking group which is second on its privatisation list, by placing 20 per cent of the capital with a group of institutional investors.

Paribas, which began its publicity campaign on French television this week, is due to be floated in the second half of January, and the Government had been expected to follow up tha success of the privatisation of St Gobain, the glass group, with an appeal to small investors.

The public share offering will now be limited to 50 per cent of Paribas's capital, including the non-voting preferential certificates of investment which already account for approximately 25 per cent of the capital and are widely beld by institutional invastors.

The Government will offer 10 per cent of Paribas to employees and 20 per cent will he sold to foreign investors.

Paribas is currently valued at around FFr 21bn on the basis of its preferential certificates of investment.

The hard core of 20 per cent will be put out to tender for a month before the public offer for sale. Only French investors will he allowed to take up this portion. Subscribers will have to commit themselves to a minimum of 1 per cent of the capital and a maximum of 4 per cent at a price of 2.5 per cent above the unknown price to be fixed for the public offer.

These investors will have to keep at least 80 per cent of their holdiog for two years, and Paribas will have pre-emption rights on the remainder for a further period.

The Government is not planning to use "golden shares" with special blocking powers for the banks on its privatisation list, but tha creation of a hard core of friendly investors is seen as a way of ensuring that the first companies to be privatised do not fall victim to a hostile takeover which could tarnish the rest of the programme.

Mr Michael François-Poncet, Paribas's chairman, is personally opposed to the notion of a hard core of shareholders, which ihe sees as being at odds with the principle of making Paribas independent. The tender offer is designed to ensure a stable group of shareholders, not a solid block voting as one.

Philippines creditor banks resume talks

By Richard Gourlay in Manila

THE 12-MEMBER advisory committee of the Philippines' creditor banks is due to resume talks in New York today on the renegotiation of $12bn of commercial dabt.

The most immediate issue facing the bankers, who are meeting withont the Philippines Government, is whather to agree to Manila's request for a temporary extension of a $2.99bn trade facility.

This facility will expire at the year-end if the banks and the Philippines fail to agree new terms for repayment of $3.5bn of principal maturing between 1987 and 1991 and $5.8bn of previously rescheduled debt that matured bewteen 1983 and 1986.

The talks were suspended in November after the advisory committee rejected a Philippines request for terms better than those commercial banks agreed for Mexico earlier this year.

Mexico was able to stretch the repayment period to 20 years with a seven-year grace period and at a rate of London interbank offered rate (Libor) plus 13/16 percentage points.

Bankers believe there is unlikely to be agreement on the long-term renegotiation during the two-day meeting. The banks, led by Citihank, are reluctant to let the Mexican deal, agreed under pressure from Washington to be a precedent for all forthcoming debt settlements.

However, the Philippines' reqnest to extend the trade facility for 90 days while the long-term negotiation is unblocked is likely to be approved by the advisory committee, Manila-based bankers on the committee said.

The committee will then have to persuade the 170 banks that extend trade credit to the Philippines to agree to the temporary extension.

Alusuisse sells further US plant

By John Wicks in Zurich

AS A further step in the restructuring of the light metals bnsiness, Alusuisse, the Swiss aluminium group, has sold its Madison/Illinois semi-products plant to Spectrulite Corporation. The Madison unit, which employs some 400 people, manufactures rolled prodncts and extrusions from aluminium and magnesium.

The disposal marks a further reduction of Alusuisse's presence in the US. In recent months it has disposed of a majority stake in the Ormet smelter in Hannibal, Ohio, and the Chicago-based automotive-parts manufacturer Maremont. It is currently in tha process of closing down tha last potlines in its New Johnsonville aluminium smelter in Tennessee.

Conalco, Alusuisse's main US subsidiary, is itself to carry ont a major corporate reorganisation programme at the start of 1987. The St Louis-based company will in future be responsible only for the Hannibal rolling mill, a plant for foils and coated prodocts in Jackson, Tennessee, and the import company Alusuisse Products.

Other US activities in the Swiss group's aluminium division will be taken over by separate subsidiaries in the fields of flexible packaging, composite materials and ceramic filters.

Alusuisse said yesterday that the sale of the Madison plant was "above book value."

Over the past two years, turnover of the unit has been running at some $45m and output at abont 30m lbs, of which one balf was accounted for by aluminium and tha other by magnesium items.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	100	†97⅝	98⅛	0	+0⅛	8.03
Australia Com. 11 95	200	116⅛	116½	0	−0⅛	8.24
Australia Com. 11¼ 00	100	†114¼	115¼	−0¼	−1½	9.24
BP Capital 9¼ 94	100	105⅞	106⅜	0	−0¼	7.97
British Telecom 7⅜ 96	250	97⅞	98⅛	0	−0¼	7.94
Campbell Soup 10½ 95	100	113	113½	0	−0¼	8.30
Canada 9 96	1000	107½	108	−0¼	0	7.78
Canadian Pac. 10¼ 93	100	109¼	109¾	0	−0⅛	8.75
CCCE 7½ 91	113	99¼	99¾	−0⅛	−0⅛	7.24
Citicorp 8¼ 93	200	98⅛	98½	0	+0⅛	8.59
Credit Lyonnais 9 91	200	105⅞	106	0	−0⅛	7.38
Credit National 9⅛ 93	150	106⅛	106⅞	+0⅛	−0¼	7.73
Credit National 7¼ 91	150	99½	100	−0⅛	−0⅛	7.31
Denmark Kingdom 7⅞ 93	250	99⅞	100⅛	−0⅛	−0⅛	7.74
Denmark Kingdom 8¼ 91	300	102⅞	103⅜	0	−0⅛	7.40
Denmark Kingdom 7 88	1000	100¼	100¾	0	−0¼	6.72
EEC 7 91	100	99¼	99¾	0	−0¼	7.12
EEC 8¼ 96	100	103⅜	103⅞	+0⅛	0	7.69
EEC 8⅝ 91	150	105¾	106¼	−0⅛	0	6.92
EEC 9⅝ 90	350	106⅛	106⅝	−0⅛	−0¼	7.53
EIB 10¼ 94	200	112⅛	112⅝	0	−0⅛	8.08
EIB 12 95	200	124½	125	a	−0⅛	7.84
Eurofima 7⅞ 91	100	101⅝	102⅛	0	−0⅛	7.24
Export Dev. Cpn. 10 90	100	109⅜	109⅞	0	−0¼	6.77
Finland 7½ 93	200	99⅛	99⅝	+0⅛	0	7.61
Ford Motor Cred. 10½ 91	150	110⅝	111⅛	0	0	7.7
Ford Motor Cred. 11⅛ 90	100	110¼	110¾	−0⅛	−0⅛	7.52
Gen. Elec. Cred. 10¼ 00	200	107¼	107¾	+0⅛	−0⅛	9.24
GMAC 10¼ 89	200	107½	108	0	+0⅛	6.72
GMAC 8½ 93	200	103⅛	103⅝	+0¼	0	7.81
Liberty Mutual 8½ 96	150	101⅛	101⅝	−0⅛	−0⅛	8.27
LTCB of Japan 8 91	100	102⅛	102⅝	0	−0⅛	7.37
Merrill Lynch 8¼ 91	100	103¼	103¾	+0¼	−1½	7.47
Mercds.-Benz Cred. 7½ 93	100	100⅝	101⅛	0	−0¼	7.32
Mitsubishi Fin. 7⅞ 93	100	101⅜	101⅞	−0⅛	0	7.57
Norway Kingdom 7¼ 91	500	100¼	100¾	0	−0¼	7.11
Pepsico Inc. 7⅜ 93	200	97⅞	98⅜	+0⅛	−0½	7.74
Philip Morris 7½ 91	100	99⅛	99⅝	0	−0⅛	7.65
Qantas Airways 10⅜ 95	140	112¼	112¾	0	+0⅛	8.27
Queensland Govt. 10¼ 95	100	110⅛	110⅝	0	−0⅞	9.43
Ralston Purina 11¾ 95	150	†115	115½	+0⅞	−0½	9.06
Saab Scania 9½ 91	125	105⅞	106⅜	0	0	7.72
Saskatchewan 10¾ 92	100	112¾	113¼	−0⅛	0	7.62
State Bk. S. Aust. 9¼ 93	100	105¾	106¼	0	−0¼	7.97
Statoil 10 90	170	108¼	108¾	−0⅛	−0⅛	7.26
S. Wales Trsy. 11¾ 90	150	112½	113	+0⅛	−0⅛	7.34
Swed. Exp. Cred. 10 92	150	110⅞	111⅜	−0¼	−0⅛	7.43
Sweden 8¾ 96	100	105⅜	106⅛	0	−0½	7.83
Sweden 10¼ 92	250	112⅝	113⅛	0	−0¼	7.49
Sweden Kingdom 10⅞ 90	200	111⅜	111⅞	+0⅛	0	6.92
Sweden Kingdom 7 91	250	99⅛	99⅝	0	0	7.15
Toyota Motor Cred. 8 89	100	103	103½	0	−0⅛	6.54
Victorian Rep. 11⅜ 92	150	115⅜	115⅞	0	−0⅛	7.93
World Bank 8½ 16	150	†99⅛	99⅝	+0⅛	0	8.55
World Bank 9¼ 16	300	†102½	103	0	−0½	8.97
Xerox Credit Corpn. 7 91	100	99¼	99¾	0	−0¼	7.19
Yasuda Trust Fin. 8½ 95	100	102¾	103¼	0	−0¼	7.80

Average price changes on day 0 on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	*108½	109½	0	+0⅛	6.48
Austrian Elec. Co. 6½ 95	150	*100¼	101¼	−0⅛	+0¼	6.38
BMW 5¾ 96	200	*92½	93½	0	+0⅞	6.25
Daimler Benz Int. 5¾ 01	500	*93¼	94⅛	−0⅛	+0¼	6.44
Dow Chemical 5⅞ 96	300	*94½	95½	−0⅛	+0¼	6.34
Dow Chemical 6¾ 95	300	*102½	103½	0	+0¼	6.30
EIB 5½ 98	150	*92¾	93¾	−0¼	−0⅛	6.33
EIB 6⅞ 95	300	*103¼	104¼	−0⅛	−0⅛	6.24
EIB 7¼ 94	300	*105¼	106¼	−0⅛	+0¼	6.33
Emhart Corpn. 6¾ 95	175	*101	102	−0¼	−0¼	6.52
Eurofima 6¼ 96	100	*100¼	101¼	−0¼	+0¼	6.14
Ex.-Im. Bk. Korea 7⅝ 90	100	*103⅞	104⅞	0	+0¼	6.20
Finland Republic 7 92	200	*103¼	104¼	−0¼	+0¼	6.88
Hoesch Intl. Fin. 7 95	100	*101¼	102¼	−0¼	+0¼	6.75
Hydro Quebec 5½ 96	125	*94¾	95¾	0	+0⅞	6.18
Hydro Quebec 6 16	150	*86¾	87¾	−0¼	−0⅞	7.02
IBJ 5⅞ 96	200	*95¼	96¼	−0¼	+0¼	6.23
Ireland 8⅛ 92	150	*107⅞	108⅞	+0⅛	−1¼	6.38
I/S Elsam 6¾ 93	125	*†100½	101½	0	−0½	6.56
Korea Dev. Bank 6⅞ 93	100	*98½	99½	0	+0¼	6.81
Mitsubishi M. 3⅛ 89 WW	100	*105½	106½	0	+0⅛	1.18
Mitsubishi M. 3⅛ 89 XW	100	*94¼	95¼	−0¼	+1	4.85
Renfe 7¼ 95	100	*†105	106	0	−1	6.86
Soc. Cent. Nuclear 7¼ 95	150	*100	101	−0¼	−0½	7.16
Soc. Cent. Nuclear 8 91	150	*105⅛	106⅛	+0⅛	+0⅛	6.52
Stweag 5½ 96	100	*93	94	0	+0⅛	6.44
World Bank 7 95	600	*104⅜	105⅜	−0⅛	−0¼	6.23
Yorkshire Intl. 6¼ 01	200	*90½	91½	0	−0¼	7.27

Average price changes on day −0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5¼ 96	100	†101	101¼	0	+2¼	5.47
Amer. Corp. 5¼ 01	200	†91¾	92	+0¼	−0½	6.11
Baker Int. 4½ 96	200	*87	89	0	−2¾	5.80
Carlsberg 5 96	80	†102½	102¾	+0½	+2¾	4.65
Chujitsuya 5¾ 94	50	†102½	102¾	0	0	4.95
Deutsche Bk. Fin. 5⅞ 95	100	†106¼	106½	+0¼	+0¼	4.42
Gen. Occidentale 4½ 94	80	†137¼	137½	+3¼	+13¼	−0.13
Glendale F. S. & L. 5½ 95	100	†100	100¼	−0⅛	−0⅛	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes on day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes on day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AB Electrolux 14½ 90 A$	50	100½	101½	0	+0¼	13.78
Amatil Fin. 14¾ 90 A$	40	†99¾	100¼	0	+0⅛	14.65
Bremer-Lndsbk. 12¾ 91 A$	30	98½	99½	0	−0⅛	13.08
Fiat Finance 14½ 89 A$	50	101¼	102¼	0	+0⅛	13.44
GMAC 12⅞ 89 A$	40	97⅞	98⅛	0	−0⅛	13.73
Landsbk. Rhein. 13 89 A$	30	96⅝	97⅛	0	−0⅛	14.56
Canadian Pac. 10⅜ 90 C$	75	†106¼	107¼	a	+0¼	8.15
Chrysler Corpn. 10 91 C$	75	†102⅞	102⅞	0	+0¼	9.40
Genstar Fin. 11¾ 95 C$	75	†104¾	105¼	+0¼	+0⅛	10.88
GMAC 9¾ 92 C$	75	†104½	105	0	+0¼	8.11
Royal Trustco 10½ 90 C$	75	†105⅞	105⅝	a	+0¼	8.72
Sears Acc. 10⅞ 92 C$	75	†106⅞	107⅛	+0¼	+0¼	9.04
Coca-Cola F. C. 17 90 NS	75	†104½	105½	0	−0¼	15.06
Denmark 17½ 89 NS	50	*†104½	105	0	0	14.71
Unilever Cap. 17½ 89 NS	50	†104	105	0	0	15.30
Copenhagen City 9 95 Ecu	40	*101⅝	102⅛	0	−0⅛	8.67
EIB 8⅝ 93 Ecu	100	*104⅜	104⅞	0	−0¼	7.65
Walt Disney 8¾ 94 Ecu	62	*104⅛	104½	0	−0¼	7.94
Honda Mtr. WW 3⅞ 90 Fl	100	107⅞	107⅞	−0⅛	−0⅛	1.47
Honda Mtr. XW 3⅞ 90 Fl	100	93½	94	0	−0⅛	6.03
Thyssen 7¼ 90 Fl	50	103¼	103¾	a	0	6.16
Wereldhave 7½ 90 Fl	75	104¼	104¾	0	0	6.07
Wessanen 6¾ 90 Fl	50	102¼	102¾	0	0	5.99
Australia Com. 11 92 £	40	†96⅛	96⅝	+0¼	+0⅛	11.92
GMAC UK Fin. 10½ 90 £	38	98½	99½	+0⅛	+0¼	10.85
Imp. Chem. Inds. 10 03 £	100	92¼	92½	+0¼	+0¼	11.03
Imp. Chm. Inds. 10¾ 92 £	75	†96⅛	96⅝	+0¼	+0⅛	11.62
Invst. in Inds. Int. 10 93 £	60	†93¼	93¾	−0½	+0⅛	11.47
Leeds Bldg. Soc. 10½ 91 £	50	95	95½	+0¼	+0⅛	11.94
McDonalds 10⅞ 90 £	40	†97⅞	98⅛	+0¼	+0⅛	11.67
Nationwide BS 10¼ 93 £	75	92	92½	−0⅛	+0⅛	11.94
NSW Treasury 10⅝ 92 £	50	†93⅞	94⅛	+0¼	−0⅛	12.12
Royal Insce. 10¾ 92 £	60	97⅞	98⅛	+0¼	+0¼	11.23
J. Sainsbury 10⅞ 93 £	60	96½	97¼	+0¼	+0¼	11.64
Trusthouse Forte 11¼ 90 £	50	†97⅞	97⅞	+0¼	0	11.98
World Bank 11¼ 95 £	100	101¾	102¼	−0¼	+0½	10.85
CoE 8⅞ 95 LFr	600	*†105	106	0	+0⅞	7.90
EIB 8⅝ 93 LFr	1000	*†104¼	105⅜	0	−0⅛	7.59

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. £ 94	0.08	99.27	99.32	20/01	10.08
Australia & NZB Perp.	0.015	97.22	97.32	30/10	6.15
Barclays Bank Perp. 1	0⅛	99.90	100.00	2/01	7.06
Barclays Bank Perp. 2	0⅛	99.30	99.48	17/02	8¼
Belgium, Kingdom of 91	0	100.33	100.42	19/02	8.86
BNP 5¼ 95	0.05	†53.00	53.10	12/01	6.8
Britannia S 93 £	0⅛	99.48	99.55	8/01	10.19
Chase Manhattan Corpn. 91	0⅛	99.95	100.05	28/02	6.32
Citicorp 98	0¼	99.51	99.61	28/12	7.19
Credit Lyonnais S 00	0⅛	100.75	100.85	12/01	6.81
EEC 3 92 DM	0	100.21	100.29	17/01	4.44
EEC 5¼ 93 Ecu	0.0312	99.82	99.92	30/01	7.66
Halifax Bldg. Soc. £ 94	0.1	99.30	99.35	6/02	10.54
Lloyds Bank Perp.	0¼	99.81	100.06	9/02	10.6
Midland Bank 01 £	0.1	99.54	99.59	29/12	10.68
Milk Mrktg. Board 5 93 £	0⅛	99.54	99.59	29/12	10.68
NatWest Perp. A	0⅛	99.35	99.60	9/01	6.95
NatWest Perp. B	0⅛	99.70	99.82	10/02	8¼
New Zealand S 97 £	0.07	99.95	100.05	14/08	10¼
New Zealand 5 01	0	100.31	100.41	4/02	8.13
Prudential Corpn. 4 95 £	0.1	99.46	99.56	5/12	9.85
Shearson Lehman Hldgs. 91	0⅛	†99.54	99.64	6/02	6¼
United Kingdom 5 92	0	100.14	100.20	7/01	7.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes on day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price. † Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

BUSINESS LAW

A crimewatch by banks

By Derek Wheatley, QC

ILL-CONSIDERED proposals to extend the duties of the banks and to make them responsible for preventing the "laundering" of money stemming from all sorts of serious crime are in the air. The Criminal Justice Bill is now at its second reading and due to go into planning committee today. It could, so some people seem to think, become a vehicle for the realisation of such proposals. According to The Times (November 19), the Home Office may include in this Bill a clause which would extend the "laundering" offences of the Drug Trafficking Offences Act to all types of serious crime. Any such general extension could trigger off an avalanche of reports on the financial affairs of innocent bank clients whose instructions awoke the suspicion of a young and inexperienced bank clerk.

Drug trafficking was put forward as a special case. Parliament accepted it on that basis. Any general extension would involve us all since our financial affairs might be reported on the mere suspicion of, perhaps, a young clerk quite untrained in criminal detection. The clearing banks have instigated careful procedures to ensure that groundless suspicions are not reported but the provisions apply to all.

An unusual transfer of funds, say to the Cayman Islands, might arouse suspicion but, in fact, may be merely the result of an expected windfall to a customer whose account was not normally very much in credit but who now wished to invest in a property. The confidentiality of banking affairs is enshrined in our law and the financial institution which makes wrongful disclosure faces a claim for damages by its customer. Our system is highly esteemed. London is a great financial centre, because of the integrity of the system. Any exceptions to the duty of confidentiality should be very rare.

In any event, this new method of tackling the growth of serious crime would be the wrong way. The revival of something old may be a better way.

Before 1967 crimes were divided into felonies, in general all the more serious crimes, and misdemeanours, lesser crimes. Parliament passed the Criminal Law Act which abolished these classifications. Felonies are now classified, with other crimes, as "arrestable offences."

Unfortunately by abolishing felony, the offence of misprison of felony was also abolished. This offence consisted of concealment of felony: any failure by anyone to report the committing of a felony within his knowledge. In one of the last cases of misprision, that of Sykes in 1961, Lord Denning said: "The arm of the law would be too short if it was powerless to reach those who are 'contact' men for thieves, or assist them to gather in the fruits of their crime; or who indulge in gang warfare and refuse to help in its suppression. There is no other offence of which such persons are guilty save that of misprision of felony." Misprision would have applied, for instance, where a person knew that his neighbours were perpetrating the Moors murders.

The offence was punishable with imprisonment. All that ended by reason of S1 (1) of the Criminal Law Act 1967 which states: "All distinctions between felony and misdemeanour are hereby abolished." There was no such offence afterwards, no sanction whatever upon the man or woman who, with knowledge, however awful, did nothing; who "preferred not to know" but who did not actively participate in the crime itself so as to "aid and abet it."

Since then, terrorism has become a frightening new evil. Under the terms of the Prevention of Terrorism (Temporary Provisions) Acts of 1976 and 1984, a person who has information which *he knows* or believes might be of material assistance in preventing terrorism or apprehending a terrorist, commits an offence punishable with five years' imprisonment if he does not disclose it to the police. But that relates only to terrorism, nothing else.

Serious criticism of the offence of laundering is that to escape being charged the potential offender has to report a mere suspicion, not the actual knowledge which is a necessary ingredient for the prosecution to prove in the kindred and long established offence of being an accessory to a crime; not someone who "aids and abets, counsels or procures," who must be an actual participant and who, indeed, could be a launderer of money the proceeds of any crime; nor the "knowledge or belief" necessary in order to saddle any person with the crime of failing to give information about acts of terrorism.

Apart from knowledge of terrorism or laundering of drug trafficking money with suspicion, there remains no penalty for those who know of other crimes, however serious, but do nothing. This seems curious. Although drug trafficking can be very serious, not everybody would accept that selling cannabis was more serious than murder, rape, grievous bodily harm, and many other crimes, unreported knowledge of which carries no sanction. Somebody with knowledge of the identity of a multiple rapist incurs no penalty by staying quiet.

Instead of suggesting an extension of the laundering offence, based on suspicion alone and effective only after the crime has been committed, the Government could revive the offence of misprision, which would apply to every type of serious crime, at every stage. It might prevent a crime being committed at all.

There are unlikely to be any financial proceeds of terrorism or murder for political aims. Mugging or mayhem may produce no profit. There will almost certainly be no detectable financial proceeds for the multiple rapist. In any event, the perpetrators may have no bank account or wish to invest in funds in the UK or abroad. It should, once again, be against the criminal law to fail to report all serious crime. And the maximum penalty should always be the same, not 14 years for laundering drug trafficking money and only five years for keeping silent with knowledge of terrorist activity.

As legal adviser to a clearing bank, I am worried about the innocent clerk of any financial institution who is too shy or too uncertain to report his suspicions, or who simply forgets. I am even more worried by the man who knows of a serious crime but who commits no offence at all by not reporting it.

The author is legal adviser to Lloyds Bank and chairman of the legal committee of the clearing banks. The views expressed in this article, however, are his own.

A. H. Hermann's article will appear tomorrow.

APPOINTMENTS

Top National Westminster Bank posts

Mr Terry Green, general manager of NATIONAL WESTMINSTER BANK'S business development division, has been appointed a deputy group chief executive from July 1 succeeding Mr Tom Frost, who, as already announced, becomes group chief executive. Mr Green and Mr John Plastow, general manager of related banking services division, have been appointed main board directors. Mr John Melbourn becomes general manager of international banking division following Mr Ron Bennett's retirement on June 1. Mr Melbourn is the division's deputy general manager.

★

STANCLIFFE, Leeds, part of Allied Provincial Securities, has appointed Mr John Cooper as a consultant. He was deputy chairman of Equity Finance Trust Holdings and is a director of Prontaprint and Moss Advertising Group.

★

STC has appointed Mr J. R. Bamforth as managing director of STC Distributors. He takes over from Mr A. S. Bevins, who becomes chairman until his retirement in June 1987. Mr Bamforth was sales and marketing director.

★

WHITECROFT has made the following appointments in its nighting division: at Moorlite Electrical Mr John Hardman, works director, becomes director and general manager; and at Silvertown Lighting Mr Ivor Cole, commercial director, becomes director and general manager.

★

Mr Donald Marr of Dunedin Fund Managers, has been appointed to a two-year term as a deputy chairman of the ASSOCIATION OF INVESTMENT TRUST COMPANIES in succession to Mr James Ferguson of Stewart Ivory and Co.

★

Mr J. R. Harrison has been appointed assistant general manager (marketing) from January 1 at REFUGE ASSURANCE.

★

Y. J. LOVELL (HOLDINGS) has appointed Mr Ted Wakeham as a main board director from January 1, he will continue as managing director of Lovell Partnerships, Rendell Partnership Developments and PROBE.

★

C. H. BEAZER (HOLDINGS) has appointed Mr Alan M. Keat, a partner in Travers Smith Braithwaite, as a non-executive director.

★

WOOD GUNDY INC has appointed Mr Robert J. Edge as syndicate manager of international new issues based in London, assuming day-to-day syndication responsibilities. Mr George Stines continues as director, syndication, and will devote more time to European clients.

★

Mr R. F. Cochrane has been appointed sales director of CRONITE ALLOYS at Dronfield, near Sheffield. For the past six years he has been employed by Ireland Alloys (Sheffield) with general responsibility for sales of specific metals and alloys, both in the UK and overseas.

★

NABISCO GROUP has appointed Mr David Hearn managing director of Smiths Crisps. He was managing director of Del Monte Foods, another member of the Nabisco Group. In this role he reports to Mr Alan Reeve, group managing director — snacks, within Nabisco. Del Monte Foods (UK and Eire) has now come under the responsibility of Mr Charles Auld, group managing director — grocery. Mr Michael Whittaker, sales director of Smiths Crisps, has become commercial director of Del Monte.

★

Mr David Tostevin has been appointed to the board of THOMPSON AND MORGAN, Ipswich, as director of purchasing and production. He was purchasing and production manager.

★

Mr L. A. Lincoln has been appointed to the board of DE BEERS CONSOLIDATED MINES. Mr Lincoln, finance manager of the De Beers Group, is also a director of Anglo American Investment Trust, Anglo American Industrial Corporation and financial director of the diamond services division of Anglo American Corporation.

★

MANSFIELD BREWERY TRADING, the beer production and wholesaling company for Mansfield Brewery Group, has appointed Mr Steve Holt as marketing and commercial director. He was previously general manager of the UK consumer electronics division of Texas Instruments.

★

Mr Iain Dixon has been appointed to the board of Bicester-based SCHENCK UK as deputy managing director and sales and marketing director. He was divisional manager.

★

Mr Tony Woolley has been appointed managing director of BURT MARSHALL LUMSDEN, part of the specialist fabrics division of Whitecroft. He succeeds Mr Ian Craig who retires but will continue as a consultant to Burt Marshall, Lumsden and to the property development division of Whitecroft.

★

Mr Joseph A. George and Mr Peter C. Turner have been appointed directors of GABRIEL AND CO, Birmingham.

★

Mr A. C. Johnston, now with the Wiggins Teape Group, is to be appointed a director of BRITISH-AMERICAN TOBACCO COMPANY on January 1 and will be taking over the responsibilities of Mr A. M. Heath, who will be joining the board of Eagle Star Insurance.

★

Mr David Gilman has been appointed chief financial officer of FORWARD TRUST GROUP, a Midland Bank Group member, based in Birmingham. He was financial controller.

★

Mr A. M. Elsen and Mr D. J. Woods have been appointed managing directors of the aviation and aerospace division of ALEXANDER STENHOUSE.

★

Mr Andre de Pfyffer, senior partner of the law firm Hafner, de Pfyffer and Argand in Geneva, Switzerland, has been appointed to the board of SCANDINAVIAN BANK GROUP as a non-executive director. He is vice-chairman of Banque Scandinave en Suisse and represents many Scandinavian interests in Switzerland.

★

At PROVINCIAL GROUP Mr Peter C. Smith has become marketing manager of Provincial Life Assurance Co and Provincial Pensions and a director designate of Prolific Financial Services. He rejoins Provincial from Legal and General Group having previously been with Provincial between 1970 to 1977.

★

Mr Peter Holloway has been appointed director responsible for BARCLAYS DE ZOETE WEDD UK equity marketmaking.

★

Mr Alan Frost has been appointed controller of group financial services of THE RANK ORGANISATION. Mr Frost previously held executive financial and business development positions with British Telecom and Bestobell.

★

Mr Peter Davis, chief executive of REED INTERNATIONAL, will succeed Mr D. T. (Squire) Wilkins as chairman of consumer publishing group following Mr Wilkins' retirement on December 31. He will also succeed Mr Ron Chilton as chairman of IPC Magazines when Mr Chilton retires on March 31. Mr John Mellon, at present deputy chief executive, will become chief executive of IPC Magazines on January 1. Mr John Matthews will become managing director of IPC Sales & Distribution from January 1. He will join the board of IPC Magazines. Mr Andrew Walker, managing director of the Holborn Group, will join the board of IPC Magazines on January 1.

★

Mr Alastair H. Munro technical director of JOHN McGAVIGAN AND CO, Glasgow, has also been appointed general manager of the newly-created new products division.

Company Notices

UK COMPANY NEWS

DISTILLERS GIVES PROFITS A SHARP BOOST

Enlarged Guinness surges to £241m

BY CHARLES BATCHELOR

Guinness, the brewing and distilling group which is currently facing a Department of Trade investigation, nearly trebled its pre-tax profits to £241m from £86m in the year ended September 30 1986.

Distillers, acquired for £2.5bn last April after a bitter takeover battle with Argyll Group, contributed £134m to the group result in the 5½ months for which it was included in the accounts. Distillers made £124m in the six months ended September 1985.

Guinness, excluding Distillers, made a pre-tax profit of £132m (£86m), just above the £130m forecast made last April. The group as a whole faced a £25m finance charge resulting from the acquisition of Distillers.

The profits improvement at Guinness was achieved despite a four-fold devaluation of the Nigerian Naira which cost the company £9m.

Excluding the acquisitions made in 1985 and 1986 group profits were 16 per cent higher before the adverse exchange rate movements were taken into account.

Turnover rose by 96 per cent from £1.19bn to £2.32bn. Earnings per 25p share rose 13 per cent from 25.3p to 28.5p. Guinness, which is changing its year end to December 31, proposes a second interim dividend of 5.86p, an increase of 12.7 per cent on last year's final dividend of 5.2p.

The brewing division achieved record profits and volumes. Trading profits rose by 25 per cent but the impact of the Nigerian devaluation meant the result for the sector was only 7 per cent higher at £88m.

Sales volume of draught Guinness rose 14 per cent in Great Britain while total volume including lager rose by more than 7 per cent. Kaliber, a non-alcoholic lager was launched nationally in the UK and in many states of the US.

Beer sales in the US and Western Europe rose 30 per cent by volume.

Guinness virtually halted the five-year decline in the UK market share of Bells Whisky while in export markets sales of cased Bells rose.

Profits rose at Distillers because of positive management action and strong financial controls, Guinness said. Attention to costs improved profits sufficiently to offset the decline in branded volumes shipped to overseas markets though heavy exports to the US in advance of higher excise duty distorted comparison.

The takeover of Distillers increased debt by more than £700m though disposals of some of its investments and operations have raised nearly £200m.

Profits of the development sector—retailing, health and Guinness Book of Records—rose from £12m to £27m.

Guinness said it was doing all it could to insulate its senior board members and the managing directors of its operating divisions from the Department of Trade probe which is now going on to allow them to manage the company.

This matters is now being handled by Freshfield's, its lawyers, Guinness said.

See Lex

Further £42m of disposals by Beecham

By Tony Jackson

Beecham is to sell the UK and European parts of its home improvement business to Henkel of West Germany for £42m.

The sale ends weeks of speculation in which the two chief contenders were seen as Henkel and a management buy-out team.

Beecham said that negotiations over its US home improvement business were proceeding with a separate buyer, and that it hoped to receive the cash before the group's March year end. The sale price is estimated at between £100m and £110m.

It was separately announced that Henkel is to buy Oxy Process Chemicals of the US for an undisclosed sum from Occidental Petroleum. The business was acquired by Occidental last September as part of its purchase of Diamond Shamrock Chemicals.

The Beecham purchase will put Henkel in a powerful position in the UK adhesives market. It already has the Selvite range of DIY adhesives and Pritt Stick, and will add to it the Unibond and Copydex brands.

As previously announced, Beecham is to hold on to its UHU glue business, which was bought long before the rest and is produced at a different plant.

The businesses, which have a combined net book value of £9.4m, were bought by Beecham over the past two years for £41m. They made pre-tax profits of £3.4m last year on sales of £43m. About half of sales were in the UK. The US operation is much larger, with sales of over £150m.

The only parts of Beecham still scheduled for sale, besides the US home improvement business, are the loss-making Germaine Monteil cosmetics business in the US, where negotiations are under way for an estimated £10m, and the remainder of the Findlater drinks business, which might fetch a further £8m. This would bring the total to over £230m, virtually eliminating debt from the group's balance sheet.

Henkel, which has been almost as active in buying businesses in recent months as Beecham has in selling them, is a widely based chemical and consumer group.

Its Occidental purchase comprises a $160m turnover business, with 1,100 employees, making chemicals for textiles, leather, dyes and paints, and also building and agricultural chemicals.

YEARLING bonds totalling £0.75m at 11⅞ per cent, redeemable on December 16 1987, have been issued by the following authorities: Borough of Tamworth £0.5m; Basingstoke & Deane Borough Council £0.25m.

Allied Textile Companies, the Huddersfield-based textiles business which is making an £11.6m agreed bid for Bulmer & Lumb, yesterday purchased a further 100,000 shares in its target. That takes its total holding, together with irrevocable acceptances, to 2.68m shares or 31.2 per cent.

Thorn EMI profits more than trebled at £41.5m

BY DAVID THOMAS

Thorn EMI's pre-tax profits for the six months to the end of September more than trebled to £41.5m, against £11.4m for the same period last year.

Turnover was down to £1.49bn (£1.53bn) because the company has disposed of a number of its operations, including its film business, as part of a restructuring launched last year. The company said that the discontinued operations would have accounted for £146m extra turnover.

Earnings per share jumped from 1.4p to 9.7p, but the interim dividend is unchanged at 5p, a figure which the company said it had maintained for some time.

Sir Graham Wilkins, chairman and chief executive, said: "We're beginning to get things more right than they were."

The results were slightly below the market's expectations but Thorn EMI's shares closed up 7p at 484p.

Operating profits increased 44 per cent to £55.5m (£38.4m). After allowing from e £5.2m profit (£2.4m loss) from related companies, profit before finance charges was £60.7m (£36m).

After allowing for finance charges of £19.2m (£24.6m) and taxation of £18.2m (£3.9m), profits on ordinary activities were £23.3m (£7.5m). The company said its high tax charges were due to the cost of remitting earnings from overseas.

By far the biggest profit contribution was made by the company's rental and retail operations: £54m on turnover of £458.8m, compared with £42.2m on turnover of £404.2m last year.

Mr Colin Southgate, managing director, said the Rumbelows electrical retailing chain had particularly strong growth, with its market share almost doubling. It had made up for the transfer of its rental side to other parts of the company's operations.

Its rental and retail operations were continuing to expand overseas. It now had 26 per cent of record retailing in Denmark, for example.

Losses continued to be incurred in the North American music operation, which accounted for about 30 per cent of the company's music sales overall. Music turnover was up £50m, though this was hidden in the published figures by the disposal of the film interests.

The profit figures were boosted by £5m by the company's interest in Thames Television.

Sir Graham Wilkins (left), chairman and chief executive of Thorn EMI and Mr Colin Southgate, managing director . . . "we're beginning to get things more right than they were"

Morceau falls to £1.95m

By Philip Coggan

AS SIGNALLED last week, pre-tax profits at Morceau Holdings, the specialist fire protection group, fell to £1.95m in the year to September 30 from £3.07m in the previous 12 months. The directors are not yet in a position to forecast whether this year's profits will improve but they feel the long term prospects are good.

Difficulties in finalising the account for the new headquarters of the Hongkong and Shanghai Bank were a major problem: terms have now been agreed which are well below those envisaged at the time of the interim statement. In addition, extra competitors in the UK commercial buildings market resulted in a significant loss in the sector in the second half.

Morceau acquired Aaronite, a company in the same industry which specialised in the offshore market, for £3.2m in March. It made a £333,000 second half profits contribution, compared with a £568,000 loss in the pre-acquisition year.

Group turnover was higher at £16.06m (£13.12m). After a tax charge of £257,000 (£733,000), the earnings per share were down to 16.5p (22.8p).

As part of a rationalisation programme, Mr Graham Neilson, managing director of Aaronite, Mr Richard Tyckiff, group sales and marketing director, and Mr Alan Smith, managing director (UK), have all resigned.

Charter beats City expectations

Charter Consolidated, the manufacturing, construction, mining and finance group, exceeded City expectations when it reported pre-tax profit up from £11.1m to £17.9m in the six months to September 30 1986. Analysts had been looking for between £14m and £15m.

Its profit was boosted by a strong showing from Anderson Strathclyde, its mining equipment subsidiary, which turned last time's debit of £888,000 into a £5.8m profit before tax on turnover down from £81m to £73m.

The directors said that operating profit on continuing businesses rose from £10.6m to £12.3m while loss from discontinued businesses increased from £1.4m to £2.1m.

After tax up from £3.4m to £5m, earnings per share moved ahead to 12.2p from 7.3p last time.

Charter benefited further from a £75m extraordinary credit (£311,000 debit) which incorporated profit on the sale of the major part of the company's shareholding in Mercury International Group. Interest and other charges totalled £4.2m (£5.9m).

Charter's manufacturing interests lifted operating profit significantly from £9m to £15.9m and mining equipment showed profit of £7.2m (£2.7m).

Other sectors showed the following operating profit: building products, £3.6m (£3m); rail track equipment, £4.4m (£2.7m); licensed trade equipment, £607,000 (£735,000); industrial contracting, £16,000 (£440,000); financial and administration, £190,000 (£151,000).

The following sectors made operating losses during the half year: civil engineering and construction, £500,000 (£923,000); construction and related activities, an unchanged £484,000; contract coal mining, £1m (£2m profit); wolfram mining, £1.5m (£379,000 profit); metal marketing, an unchanged £18,000; and mining, £2.5m (£2.5m profit).

Charter received dividends and interest worth £3.7m (£3.3m) and made £2.8m (debit £126,000) surplus on realisations. Share of retained profit from related companies amounted to £4.8m, up from £3.8m last time. Other interest receivable and similar income totalled £3.6m, down from £4.2m.

Charter shareholders benefit from a declared interim of 4p, up from 3.75p last time. Shares closed at 308p, up 3p.

● comment

Changes in Johannesburg and at Charter over the past year mean that what was once just a motley collection of owned/part-owned businesses put together by Harry Oppenheimer is looking (being encouraged?) to spread its own wings. With no debts and net assets of £420m (401p a share), Charter could readily afford a £200m purchase for cash—although using paper would dilute the Anglo-American holding and might therefore be attractive to an independently minded management. The success of Johnson Matthey since its October 1984 rescue must make Mr Clarke more than a little sorry that he did not snap up more/all of the associate at the time. Elsewhere in the garden there is still a fair bit of weeding to do at Shand, Beralt and in contract coal mining but a conservative provisions policy has eliminated most of the risk from these areas. With £42m in view for the year, the shares, down 15p on profit taking to 298p, are on a prospective p/e of 10⁴ which seems a little on the light side. If the "unbiddability" discount were removed, a rating closer to the market's 13 would certainly be justified.

Assoc. Paper improves to £5m

A SHARP improvement by its stamping foils activities enabled Associated Paper Industries to lift its 1985-86 profits to £5.05m pre-tax, an increase of 9 per cent over last year's £4.62m.

The directors said yesterday that they were optimistic for the future and pointed out that the current situation was good overall and that opportunities in stamping foils were considerable.

Furthermore, they believed that the Tenza companies, acquired in June, had great potential for further expansion.

The year to September 27 saw group turnover advance from £54.23m to £71.22m and trading profits by £973,000 to £5.61m.

Earnings worked through at 21p (20.1p) and a final dividend of 4.8p raises the total by 1p to 7p net per 25p share.

A breakdown of trading profits by activity shows: papermaking and converting £3.47m (£3.32m), stamping foils £2.68m (£1.36m) and air conditioning, filtration and purification £400,000 (£604,000). Group costs and non-trading items in subsidiaries accounted for £946,000 (£643,000).

Selling and administration expenses rose from £4.96m to £8.89m. The directors said the rise was mainly caused by an increase in the group's stamping foil activities.

Interest charges took £565,000 (£24,000) and tax £1.05m (£904,000).

The overall results of the papermaking and converting division took into account a provision of £200,000 which arose from the failure of a customer and an investment of some £268,000 in the development of the new electron beam coating technology at Slaters.

The balance sheet continued to show a strong financial position. Loans increased through borrowings of US dollars to fund the acquisition of Dri-Print and the issue of loan notes to vendors of Tenza.

At year-end net borrowing amounted to 38 per cent of shareholders' funds.

● comment

The erosion in margins and the small increase in earnings per share meant API's share price fell 5p to 250p yesterday but they do not herald a halt in the company's progress. Two of the main problems were start up costs for new technology and a £200,000 bad debt, neither of which are likely to recur. Without them the pre-tax figure would have been £468,000 higher at around the £5.5m the City had been expecting. API's confidence for the future, which is shown by the 17 per cent increase in the dividend, is largely explained by its success in specialising, particularly in the stamping foils division. API claims to be the second largest producer of stamping foils in the world and the fragmentation of the market allows it scope for expansion. For 1986-87 the company is playing its cards close to its chest but analysts expect about £6.8m. Assuming a tax charge of 30 per cent that puts the p/e on about 11. The shares are likely to bover where they are a while but they are a reasonable bet in the long term.

Alex Russell advances to £1.7m

Alexander Russell, which is engaged in quarrying, coal recovery and the distribution of building supplies, reported an advance from £1m to £1.7m in pre-tax profit for the half year ended September 30 1986.

On turnover of £16.9m (£15.36m) the trading profit rose from £1.38m to £1.7m. Further benefit came from the elimination of exchange losses — £373,000 last time.

Earnings were 4.32p (2.7p) and the interim dividend is to be 0.54p (0.47p) per share.

The director said forecasting was difficult, but they looked forward to a record year.

Belhaven Brewery calls for £14m and plans disposals

BY NIKKI TAIT

MR RAYMOND MIQUEL, the former chairman of scotch whisky group, Arthur Bell, yesterday unveiled his plans for Belhaven Brewery, where he moved in as chairman and chief executive in September.

These include a £14m rights issue, the disposal of two subsidiaries and the possible sale of the remaining off-licence premises and a couple of hotels.

Longer-term, the new board is looking to build up branded sales of Belhaven beers, especially south of the border and is considering acquisitions in other leisure-related areas.

Accompanying the rights issue news is the resignation of Mr Nazmu Virani and Mr Zul Virani for the Belhaven board. Mr Nazmu Virani was the previous chairman of Belhaven, but his family company sold the bulk of its stake in Belhaven during July and early September and he has taken a non-executive role since Mr Miguel moved in.

The directors who are resigning, plus Mr Bharat Solanki, will receive compensation payments totalling £190,000 including the transfer of a Rolls-Royce Silver Spirit and a Mercedes Benz. The company's headquarters — previously at Mr Virani's offices in London — will now move into leased premises in Perth.

The issue will raise £13.4m net of expenses and be used initially to clear around £7m worth of debt. After that, the money will go towards expanding activities: "We are looking at a lot of opportunities," commented Mr Miguel yesterday. "We also intend a launch of branded beer products next year, and are looking to build these through supermarkets."

Under the rights issue, which is underwritten by Henry Ansbacher, shareholders are offered one new share at 55p for each share held—a 24 per cent discount to yesterday's price which fell 1½p to 72½p.

On the outgoing side, Belhaven is disposing of its pub refurbishment business, C. M. Pilling, to former Belhaven director Mr C. Pilling and his son for £223,000 cash—subject to shareholders' approval. They will take on debts of £202,000.

Also up for disposal is Dolamore, the loss-making wine and spirits business, which Belhaven acquired last April for £815,000, paid in shares. This could involve an exceptional write-off of up to £600,000.

The sale of two of the group's hotels — in Edinburgh and Falkirk — is also under consideration, and there are plans to pull out of the remaining 18 off-licences acquired from Courage in June 1985.

Yesterday, Belhaven also produced its interim figures for the year to end-September, showing pre-tax profits 41 per cent lower at £527,000. The downturn is partly due to a higher interest charge—up from £119,000 to £390,000—and partly to the £248,000 exceptional items, which includes the directors' compensation payments.

The interim dividend is pegged at 0.37p.

AB Electronic expects second half growth

By Robin Reeves

AB Electronic Products Group will achieve good profits growth next year, Mr Henry Kroch, the group's retiring chairman, told the annual meeting in Cardiff yesterday.

Results for the first half of the group's financial year would be burdened by start up costs associated with a new factory producing electronic switching systems for the new Jaguar motorcar. This had involved the training of hundreds of operators.

But the Jaguar venture, along with the company's various other electronics activities, should make a major contribution to profits growth in the group's second half year up to June 1987, Mr Kroch said.

He expressed continued optimism about the long term outlook for the electronics industry though AB believed that in the future the company would benefit greatly from generating more of its old technology. Hence it was investing in a technology centre at Cleepa Park, Newport, Gwent, which would start operations early in the New Year.

The annual meeting agreed unanimously to appoint Mr Kroch as the company's first president on his retirement at the end of the month. Mr Kroch has been the principal architect of AB's expansion from a small private company making radio components into today's diversified electronics group with a turnover of £130m.

He is to be succeeded as chairman on January 1 1987 by Mr Peter Phillips, the present deputy chairman.

Micro Scope pulls back first half fall

Micro Scope halted its profit decline in the second half, and for the year ended October 1 1986 finished with a pre-tax balance of £941,000, against £1.08m.

In the first half the profit fell by £147,000 to £284,000, affected, the directors explained then, by the move to new headquarters, completion of the first phase of a staff recruitment programme, and the establishment of two further operating sections.

The directors reported yesterday that turnover for the year rose by £1m to nearly £4.9m, with all areas of business showing an increase.

After tax £01,000 (£297,000) earnings per share worked through at 6p (8p). The final dividend is held at 1p for an unchanged net total of 1.5p.

● comment

The electronics sector has been rather ewash with companies which have geared up for growth which didn't happen and the £800,000 spent on Micro Scope's new headquarters and recruitment drive may yet prove to be another example. There is nothing wrong with the company'e products as its sales to European PTT companies are proving. But if pre-tax profits edge back to £1.2m, the increasing tax charge is likely to mean that earnings per share are only just over 7p. That will not be enough to push the shares back from yesterday's 73p to the 1985 placing price of 120p. Perhaps the prospective p/e of 10 will encourage a major bidder to step in and give Micro Scope e more secure base with which to expand its Videotex range.

Public Works Loan Board rates

Effective December 10

Years	Quota loans repaid by EIP† %	Quota A‡ %	Quota at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota A‡ %	Non-quota at maturity§ %
1	—	—	11⅞	—	—	12⅜
Over 1 up to 2	11¾	11⅞	11⅞	12¼	12⅜	12¼
Over 2 up to 3	11⅞	11⅞	11⅞	12⅜	12⅜	11⅞
Over 3 up to 4	11⅞	11⅞	11¾	12¼	12¼	12¼
Over 4 up to 5	11⅞	11¾	11¾	12⅜	12⅜	12¼
Over 5 up to 6	11⅞	11¾	11¾	12	12	12
Over 6 up to 7	11¾	11¾	11⅝	12	12	12⅛
Over 7 up to 8	11¾	11¾	11⅝	12	12	12⅛
Over 8 up to 9	11¾	11⅝	11⅝	12	12	12
Over 9 up to 10	11¾	11⅝	11⅝	12	12⅛	12
Over 10 up to 15	11¾	11⅝	11½	12⅛	12	11⅞
Over 15 up to 25	11⅝	11⅛	11⅛	11⅞	11⅞	11⅝
Over 25	11⅛	11	11	11⅝	11⅝	11⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Swedish Match acquires Pegulan in £104m deal

BY KEVIN DONE IN STOCKHOLM AND CLAY HARRIS IN LONDON

Batig, BAT Industries' West German subsidiary, has agreed to sell the Pegulan floor-coverings group to Swedish Match in a deal worth about DM 300m (£104m).

The acquisition, the largest ever by the Swedish conglomerate, will establish it as the leading flooring group in Europe and the second in the world after Armstrong of the US. It is already world leader in hardwood flooring.

Pegulan has annual sales of about DM 800m and about 3,000 employees. Swedish Match is already well-established in the flooring market through its Tarkett subsidiary, but the acquisition of Pegulan will double its sales in this sector.

BAT said last night that the disposal, plus the planned sale of Huppe, Batig's showers and sunblinds company, reflected its judgment that it could not develop home improvements into a substantial growth business.

Pegulan's local management had sought to counter the takeover with suggestions of a management buy-out or a stock market flotation.

Batig is retaining Peguform, which makes plastic components for the motor industry. It will be transferred from Pegulan to a new Batig company, Europlast, which also has majority stakes in Manducher of France and Energa of Spain.

Batig plans to concentrate entirely on tobacco, retailing and plastic components.

Pegulan has seven plants producing pvc flooring and carpeting in West Germany and Austria, as well as four plants for ceramic flooring, one in West Germany and three in Italy.

Mr Hans Larsson, Swedish Match chief executive, said the Pegulan deal was an important strategic acquisition for the group which has had strong market positions through Tarkett in the US and in the Nordic countries but has been relatively weak in central Europe.

Pegulan had a leading position in West Germany and good market shares in France, the Netherlands and Austria, he said. Swedish Match will retain the Pegulan name.

Tarkett has grown rapidly through acquisitions and currently has 11 plants for the production of hardwood and resilient flooring as well as carpeting. The Pegulan takeover will more than double its present annual production of some 60m sq m.

Until 1980, all Tarkett production was concentrated in Sweden with 60 per cent of sales in the domestic market. In 1981 it acquired the flooring division of GAF of the US, at the time the third largest producer of resilient flooring in the US, and in 1982 it bought Harris Manufacturing, a large US producer of hardwood flooring.

Eagle Star pulls out of US

Eagle Star, the insurance subsidiary of BAT Industries, is to end its 60-year-old involvement in the US insurance market by selling its New York-based operation, Eagle Star Insurance Company of America.

The buyer, a New York investment house called Odyssey Partners, is believed to have agreed to pay more than £30m for the business, which has a net asset value of $33m (£23.17m).

With a 1986 gross premium income of about $100m, Eagle Star's US operation is a very small player in the North American general insurance market. Its business this year was 75 per cent in commercial lines, and 25 per cent in personal classes of insurance.

Mr Martin Broughton, Eagle Star's finance director said that at that size the company could never realistically hope to remain a national US insurer, in view of the high expenses involved.

Eagle Star Insurance of America was expected to produce a pre-tax profit for this year, but it had suffered from poor results in previous years. In 1985, the company's operating ratio—the key measure of an insurer's efficiency—was 141 per cent, considerably worse than US industry averages.

The American company produced less than 5 per cent of Eagle Star's worldwide premium income, Mr Broughton said. After the sale, Eagle Star will continue to write US marine insurance, but this will be done directly from London.

Irish Distillers 70% ahead

BY ALICE RAWSTHORN IN LONDON AND HUGH CARNEGY IN DUBLIN

The Irish Distillers Group watched its shares rise by 14p to 203p yesterday when it announced a 70 per cent increase in pre-tax profits to I£12.93m (£12.32m) in the year to September 30 despite a downturn in demand from its domestic market and its core export market, the US.

In the domestic market Irish Distillers experienced strong demand in the first half of the year but suffered a slump in the second, when the paucity of US tourists and poor economic outlook took its toll on the whisky market. Sales were poor in the US—because of an increase in excise duty and the growing strength of the anti-alcohol lobby—throughout the year.

The company succeeded in increasing sales to other export markets, however. The progress of its new product, West Coast Cooler, was rather slower than expected in its new markets, the UK and Holland. Irish Distillers has opted to plough most of the profits from the product's buoyant Australian market into developing new markets.

Group turnover fell to £239.49m (£249.62m) during the year. According to the managing director, Mr Richard Burrows, the fall in sales is attributed to a reduced contribution from United Drug, the pharmaceutical distributor in which Irish Distillers reduced its holding earlier in the year, and the core businesses showed some modest, underlying growth.

Trading profits rose to £12.66m (£7.48m), although all the profits growth should be compared to an unusually poor performance in the 1984-85 financial year when the company was hit by a strike. The share in profits from associated companies increased to £268,000 (£88,000).

Earnings per share rose to 16.26p (10.28p) and the board proposes to pay a final dividend (including a related tax credit) equivalent to 7.3p.

Mr Burrows says that prospects for the domestic market are uncertain, given the climate of uncertainty created by the erratic economic outlook and the prospect of a general election early next year, although sales are currently slightly lower than in the same period last year. Demand in the US, by contrast, has mustered a slight recovery.

DIVIDENDS ANNOUNCED

Airsprung ....int	‡2.9	Jan 23	—	—	—
Albion	1	—	0.7	1.8	1.3
Assoc Paper	4.8	Feb 11	4	7	6
Belhaven Bwy ......int	0.37	Feb 6	0.37	—	0.83
Booth Industries ...int	1	—	nil	—	1
BTP ....int	2	Feb 5	1.5	—	4.5
Charter Consd ......int	4	Jan 8	3.75	—	11.5
Crystalate	3.25	Jan 30	2.7	5.1	4.24
Deritend ....int	2.7	Feb 19	2.4	—	8
Guinness ......2nd int	5.86	Jan 30	5.2	8.1	7.2
Havelock Europa ...int	‡†2	Jan 30	1.12	—	4
Irish Distillers	‖5.65	—	5.65	7.65	7.15
McCarthy & Stone	†2.51	Feb 27	2.05	3.33	2.72
M&G Second Dual int	7.1	—	5.8	¶	11.3
Micro Scope	1	Jan 29	1	1.53	1.53
Morceau Holdings	2.5	—	2.5	4	3.7
Reed Executive ...int	2	Feb 2	1.5	—	4.5
Alexander Russell int	0.54	Jan 30	0.47	—	1.6
Samuelson ....int	0.8	Apr 6	0.8	—	2.4
Stakis	†0.95	Apr 8	0.8	1.4	1.2
Tex Holdings ......int	†1.5	Feb 2	1.5	—	4.5
Thorn EMI ....int	5	—	5	—	17.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Final of at least 6.1p (5.5p) forecast. ‖ Irish currency.

Pilkington hits out at BTR in its bid defence

By Martin Dickson

Pilkington Brothers, which is fighting a £1.1bn takeover bid from BTR, claimed yesterday that its leadership of the world glass industry would be threatened if it vanished "into a conglomerate of businesses with short-term horizons."

The claim came in its formal defence document. Mr Antony Pilkington, the chairman, told shareholders that the future of the group mattered to "British technology, to British industry, to Britain in the widest sense."

"This bid is about the future of all British companies who believe in the creation of wealth and the pursuit of excellence that leads ultimately to world leadership — rather than the poverty of cashing in the future for short-term financial gains."

BTR did not understand the glass industry, Mr Pilkington added, and had never taken on anything remotely like the business of Pilkington—a technology-driven, market-driven continuous-process, large-scale business which was a world away from its experience.

To show any justification for the bid, BTR must say how it would improve Pilkington's performance, and it would not be enough for it to cite ways of "extracting once-off short-term improvement without also specifying the long-term effects on the business of the measures they propose."

However, BTR hit back last night at the claims it had a short-term approach to running companies, saying its 20-year record, "both in the round and by company, relegates this claim to the derisory." It added that Pilkington's defence was as "flawed with complacency as its earnings were erratic."

Pilkington's shares closed up 8p at 628p, which compares with a BTR offer worth 531.5p a share last night.

Westwood Dawes warns of large loss

Westwood Dawes, the mechanical handling engineer, has issued a circular warning of a £200,000 loss for the year in order to avoid a false market in the company's shares. It had predicted a better second half after halfway losses of £68,130.

KMG Thomson McLintock, the company's new auditors, have written to shareholders warning of the expected loss for the year to December 31, including exceptional items of about £60,000.

Mr Dan Slabbert was appointed managing director after Mr Roger Allsop's resignation in September. He said the company had identified and tackled the problem areas and was confident of a return to profitability by late next year.

Westwood plans to modernise the Stowbridge factory to enable Westwood to move into the more lucrative larger contracts and escape the increasing competitiveness and higher costs of the small-order jobbing side.

It is also switching from an "unsatisfactory" sales agency network to an in-house sales and marketing team. A new sales director, Mr Alan Bowler, has already been appointed.

"We're looking at a cost of between £150,000 and £200,000 to set up the sales and marketing side and a similar figure for plant and equipment," said Mr Slabbert.

Westwod has no outstanding bank loans, he said, with £350,000 on call and a £250,000 bank overdraft facility.

"Our average order size is £500. We would like to get that up to £10,000. And since the appointment of the sales team we can already see an increase in the work coming in."

Westwood shares closed down 2p at 55p.

APV purchase

APV Holdings, the food processing equipment group, has reached provisional agreement to purchase W. & C. Pantin, an Essex-based company for around £2.25m. Pantin specialises in material handling equipment, conveying and control systems, and has an annual turnover of around £8m.

Mantronics, a Leicester company specialising in the development of microwave technology has also joined the APV group.

I.G. INDEX
FT for December
1,283-1,289 (unchanged)
Tel: 01-828 5699

Inchcape to buy Clarkson Puckle

BY NICK BUNKER, INSURANCE CORRESPONDENT

Inchcape, the international trading conglomerate, has agreed to pay £4.1m to buy Clarkson Puckle, the insurance brokers acquired by Dalgety, the food and agricultural group, in July 1985.

Inchape will be making the purchase via its subsidiary Bain Dawes, one of the UK's top ten insurance brokers. The total consideration includes some £8m made up of the repayment of an intra-group loan made by Dalgety to Clarkson Puckle.

Clarkson Puckle made a pre-tax profit of £2.9m in the 18 months to June 30, but the figure for the 1986 calendar year is expected to be not less than £4.3m. Turnover for the year is expected to be about £40m.

Bain Dawes made a pre-tax profit of £5.5m in 1985, on turnover of £42.7m.

Dalgety acquired Clarkson Puckle when it paid £120m 18 months ago for Gill & Duffus, the world's biggest cocoa trader. There were initially some hopes that the broker would dove-tail with Dalgety's own existing insurance interests in Australia.

But Mr Terry Pryce, Dalgety's chief executive, said yesterday that after a careful assessment the group decided that there would be "no real benefits" from building up an insurance broking arm.

"The core business of Dalgety is food and agriculture. We took the view that to fork out £50m or £100m to build up our insurance broking would not be worthwhile," he added.

Dalgety intends to use the sale's proceeds to reduce group borrowings and to expand its interests in the high added-value food products sector.

Mr Simon Arnold, Bain Dawes' chief executive, said that the proposed acquisition would put Bain Dawes "in the forefront of the UK insurance broking industry" by combining the two companies' retail accounts.

Bain Dawes, he added, had an extensive clientel of large UK and multinational companies, while Clarkson Puckle had a range of smaller corporate clients.

Bain Dawes, which alos has specialisations in broking contractors' liability and other professional indemnity insurance, has some 19 branch offices in the UK. Clarkson has 11.

The acquisition would also "greatly enhance Bain Dawes' long-term objectives of expanding its worldwide operations."

First member for Third Market

BY ALICE RAWSTHORN

The Unit Group, a manufacturer of timber pallets, yesterday became the first company to announce firm proposals to join the Third Market, the forum for dealings in the shares of young, unquoted companies which the Stock Exchange intends to introduce early in the New Year.

The Third Market will function as a junior tier to the main market and Unlisted Securities Market. It will accommodate companies which are too young or too small to consider flotation on either of the established markets, but which need access to new capital.

The Stock Exchange envisages the market as a more tightly regulated version of the over-the-counter market now conducted off the Stock Exchange floor by licensed securities dealers.

Thus far at least 15 companies have indicated to the Stock Exchange that they intend to use the Third Market as a forum for dealings in their shares when it begins trading on January 26.

The Unit Group will join the Third Market through an offer for subscription sponsored by Guidehouse Securities. Guidehouse has been active in the OTC market and, having recently become a member of the Stock Exchange, intends to play an active part in the Third Market.

Although the Unit Group would, in theory, be able to go public on the USM or main market, it opted for the Third Market because, as Mr Jeffrey Gilbey its managing director put it, the management team is relatively new and felt the company was not yet able to cope with the exposure meted out to USM and listed companies.

The Unit Group claims to be the largest manufacturer of timber pallets in the UK. It also manufactures reels and drums and keg spacers.

The company's financial performance through the 1980s has been erratic. It slipped into a loss at the pre-tax level in the year to March 31 1984 because of a sudden rise in raw material prices, but produced pre-tax profits of £191,000—and operating profits of £593,000 — on turnover of £10.27m in the last financial year.

In the offer for subscription the Unit Group will issue 1.25m shares, or 30.9 per cent of its equity, at 122p a share. The company forecasts pre-tax profits of £510,000 for the current financial year putting the shares on prospective earnings of 15.5p and a prospective p/e of 7.9. All the capital raised by the offer, around £1.3m, will be ploughed back into the company to reduce borrowings and to speed up the automation of the manufacturing process.

The company is eligible for inclusion in the Government's Business Expansion Scheme, thus individual investors will be able to claim BES tax relief on their investments.

Rushlake Holdings

Rushlake Holdings, the private company owned by the Jivraj family, continues to nibble away at Mitchell Cotts, the troubled engineering chemicals and trading group. It disclosed yesterday that its stake had risen from 11.4 to 12.28 per cent.

Rushlake said that it had had no contact with Tipbook, the leasing company which was recently revealed as the holder of a 4.9 per cent stake in Mitchell Cotts. With regard to its future plans, a spokesman for Rushlake commented: "It's an interesting situation and we're reviewing it day by day."

Pru's estate agency moves cost £125m

The move by the Prudential Corporation, Britain's largest life assurance group, into the estate agency market will have cost the group some £125m by the end of the year, of which about a fifth is being met by the issue of Corporation shares and the rest in cash.

The Corporation would not give any details of the contribution to group profits from its estate agency subsidiary, Prudential Property Services. But analysts expect it to be minimal for 1986, around £2.5m and in the £5m-£10m range for 1987. The full benefits are not expected until 1988.

Pru's strategy in developing a national estate agency coverage has been to acquire a major firm in each of the 12 regions as a core company with subsequent expansion on a local basis by secondary acquisition and organic growth from opening new branches.

It is expected that there will be around 350 branches by the end of the year with Southern England well covered.

UK COMPANY NEWS

Sketchley in agreed bid for Equipu

BY CLAY HARRIS

Sketchley is to buy Equipu, the photocopier and computer services group, in an agreed shares-and-cash offer worth £20.7m.

Mr Malcolm Glenn, chief executive of the dry cleaning and services group, said yesterday that the acquisition brought Sketchley into e fast-growing but fragmented market that was ripe for consolidation.

Bristol-based Equipu leases and services Nashua, Ricoh and Minolta photocopiers, as well as selling e broad range of other office equipment, including microcompoters, peripherals and software, cash tills and furniture.

Equipu will continue to trade as e separate company and Mr Philip Bradshaw, chairman and chief executive, will join the Sketchley board.

Sketchley plans nationwide expansion for Equipu within three years, largely by acquisition. At present, Equipu's strength is in the south and west of England, south Wales and in Scotland, where it bought photocopier dealer Purdie & Kirkpatrick in 1984.

Sketchley also forecast yesterday a final dividend of at least 13p (12.8p) for a total of 19p (17.5p) for the year to March. It expected no earnings dilution from the Equipo ecquisition.

After the acquisition, Sketchley's original dry cleaning operations in the UK and Canada will account for only about 40 per cent of turnover. Earlier this year, it moved into catering and vending with the purchase of Breakmete and workwear manufacturer with CCM.

In e full year, Sketchley expects turnover to return to the £150m level echieved before the disposal of its US uniform rental and diaper services.

The UK will account for ebout 90 per cent of sales, bowever, against less than half before the US sales.

Problems in a computer supplies company contributed to an 11 per cent rednction in Equipu's pre-tax profit to £1.24m in the year to April, on sales of 53 per cent ahead at £23.6m.

Sketchley also reported a decline in its most recent period, the half year to September 26, with profit falling by 10 per cent to £5.55m on turnover from continuing operations cut by 11 per cent to £70m.

Sketchley is offering one new share plus 100p in cash or loan notes for every two Equipu shares. Sketchley shares shed 1p to 444p, valuing Equipu shares at 272p against 262p in the market, a 59p rise from the price at which they were suspended on Tuesday.

The offer has been accepted by directors and other shareholders representing 50.2 per cent of Equipu's shares.

Booth extends recovery and further progress seen

Booth Industries, which swung back into the black in the second six months of 1985-86, continued its recovery io the opening half of the current year and for the period returned profits of £71,605 pre-tax against previous losses of £373,840.

The directors said yesterday that they expected the improved performance to cootinue for the rest of the financial year with the second half being et least as good as the first.

Meanwhile, shareboiders are to receive an interim dividend of 1p net per 25p share—they received a single payment of 1p (2p) for the 1985-86 year as a whole when pre-tax profits totalled £70,000 (£112,000).

Turnover for the half year to September 30 1986 declined from £6.5m to £6.04m—the group is e structural and welding engineer.

The directors said they were continuing the process of implementing a number of organisetional changes, incloding the consolidation of activities et Hulton Steelworks, to give more flexibility of manufacturing to meet the changes in demand

First balf earnings were 5.8p (losses 43.14p).

Deritend at £0.9m and further growth expected

Deritend Stamping, the Worcestershire-based forgings, castings and electrical installations and repair group, raised its first-half profits from £704,000 to £905,000 and is lifting its interim dividend by 0.3p to 2.7p net.

The directors said yesterday that although an improvement to the first-half's performance was expected, it would probably not be as significant as the 200 per cent increase achieved in the final period of the previous year.

Turnover for the first half (to August 31 1986) totalled £21.05m (£20m). Tax rose to £404,000 (£260,000) and left earnings et 9.5p (8.42p) per 50p share.

In October the group disposed of South Wales Forgemasters and Hayes Shell-Cast for e total £1.08m, including the repayment of inter-company indebtedness.

These disposals gave rise to a loss of some £1.25m which will be dealt with as an extraordinary item in the full accounts.

Crystalate on target with 46% profit jump

Although sales of Crystalate Holdings, maker of electric products, rose only a modest 5.5 per cent to £66.47m, pretax profits jumped 46 per cent from £4.8m to £7.91m in the year ended September 30 1986.

The result compared with a forecast of not less than £6.9m madc in October at the time of the £21m acquisition of the resistive products division of US company, TRW.

The profit included a higher contribution of £652,000 (£1,000) from the sale of investments. Tax charge was £2.03m (£912,000) and last year there were also minorities of £94,000 and an extraordinary debit of £2.69m.

Earnings per 5p share were 21.14p (16.53p) basic or 17.76p (13.91p) fully diluted. The final dividend is 3.25p (2.7p) for a total payment up from 4.24p to 5.1p net.

Ladbroke US deal

London & Leeds Corporation, the Ladbroke Group's USA property division, is to pay $7.75m (£5.44m) for a partly completed 35-acre residential development in White Plains, Westchester, New York State. The 70 apartments will be completed within 18 months at a cost of $13m and have an estimated total sales value of $30m.

McCarthy & Stone shares surge on strong growth and prospects

SUBSTANTIAL progress was mede by McCarthy & Stonc in the year ended August 31 1986 with turnover rising 77 per cent and pre-tax profit 68 per cent to £16.1m. The group sells and manages sheltered bousing, including holiday developments.

The directors said the group's financial strength had never been greater, backed up by the £19m rights issue in June, the current year had started well and they looked for further success.

The City reacted fevourably to yesterday's statement and the shares closed 49p higher.

Turnover in 1985-86 totalled £67.15m (£37.9m), with the sales of sheltered eccommodetion rising 49 per cent to 1,769 units.

The increase was spread over all regions, with significant contribution from areas away from the traditional retirement area of the South of England. In the Midlands and North, sales totalled 738 and in Scotland 104.

The final dividend is 2.51p on the increased capital to make 3.33p net (2.72p).

The group's move into nursing homes continued to gather pace. The first one et Bexhill-on-Sea was opened and sites for further bomes were acquired at Great Dunmow, Essex, and Bournemouth. The second scheme at Upton in the Wirral will be opened in the spring.

Also, last month, the first holiday development was opened at Santa Ponsa, Majorca, and initial bookings were encouraging.

Contrects have been exchanged for the acquisition of the first site in France where construction was expected to start in the spring. A site bed been ecquired for a sheltered scheme in Dublin.

After tax and minorities, stated earnings per share for 1985-86 were 22.71p (13.6p) basic and 20.91p (13.14p) diluted.

In the first three months of the current year sheltered unit sales were around 50 per cent higher.

● comment

As Britain gets gradually older, the profits of McCarthy & Stone seem to get higher and higher. There is still not too much competition in the sheltered housing market and it seems that all McCarthy has to do is buy more sites to make more mooey. This year the group will continue to move upmarket and into London with a consequent increase io the average selling price per unit and as sales are already showing a 50 per cent increase, there seems little to stop a £25m pre-tax profit. In the long term, only nasty shocks in the new nursing home programme is likely to disrupt McCarthy's progress, since it does not depend on rising house prices. Even at 300p up 58p on the day, the shares do not seem overpriced on a prospective p/e of 10.

Cowie ups Appleyard stake

T. Cowie and parties acting in concert have increased their stake in Appleyard Group from 9.62 per cent to 10.37 per cent. Both companies are motor dealers based in the north of England.

Mr Ian Appleyard, chairman of the Yorkshire-based group, said yesterday that the two companies had not had further talks since a Cowie takeover initiative foundered in October, in part over disagreement about the effect on Appleyard's five Jaguer dealerships.

BOARD MEETINGS

TODAY

Interims: British Building and Engineering Appliances, British Telecom, H. P. Bulmer, Dee Corporation, Gee/Rosen Organisation, Great Universal Stores, Lexicon Inc, Nottinghem Brick, Phoenix Timber, Sytone, Wagon Industrial, Yellowhammer.

Finals: Avon Rubber, Carr's Milling Industries, City Site Estates, Eldridge Pope, Flexello Castors and Wheels, First Union General Investment Trust, Gold Fields Coal, Pericom, RHP, Sidlaw, Westland, Whessoe, John Williams of Cardiff.

FUTURE DATES

Interims:

Mansfield Brewery	Dec 17
Marine Development	Dec 15

Finals:

Guinness Peat	Dec 18

71,400,000 Shares

Coca-Cola Enterprises Inc.

A Bottling System

Common Stock

Price $16½ Per Share

United States Offering

60,690,000 Shares

Allen & Company Incorporated

The First Boston Corporation

Salomon Brothers Inc

Shearson Lehman Brothers Inc.

Prudential-Bache Securities · Bear, Stearns & Co. Inc. · Alex. Brown & Sons Incorporated · Dillon, Read & Co. Inc. · Donaldson, Lufkin & Jenrette Securities Corporation · Drexel Burnham Lambert Incorporated

Goldman, Sachs & Co. · Hambrecht & Quist Incorporated · E. F. Hutton & Company Inc. · Kidder, Peabody & Co. Incorporated · Lazard Frères & Co. · Merrill Lynch Capital Markets

Montgomery Securities · Morgan Stanley & Co. Incorporated · PaineWebber Incorporated · Robertson, Colman & Stephens · L. F. Rothschild, Unterberg, Towbin, Inc.

Smith Barney, Harris Upham & Co. Incorporated · Wertheim & Co., Inc. · Dean Witter Reynolds Inc. · Oppenheimer & Co., Inc. · The Robinson-Humphrey Company, Inc.

William Blair & Company · A.G. Edwards & Sons, Inc. · Furman Selz Mager Dietz & Birney Incorporated · Rothschild Inc. · Thomson McKinnon Securities Inc.

Advest, Inc. · Arnhold and S. Bleichroeder, Inc. · Robert W. Baird & Co. Incorporated · Bateman Eichler, Hill Richards Incorporated · Sanford C. Bernstein & Co., Inc.

Blunt Ellis & Loewi Incorporated · Boettcher & Company, Inc. · J.C. Bradford & Co. Incorporated · Butcher & Singer Inc. · Cable, Howse & Ragen · Cowen & Co.

Crowell, Weedon & Co. · Dain Bosworth Incorporated · Doft & Co., Inc. · Dominion Securities Corporation · Eberstadt Fleming Inc. · Eppler, Guerin & Turner, Inc.

First of Michigan Corporation · Foster & Marshall Inc. · Gruntal & Co., Incorporated · Interstate Securities Corporation · Janney Montgomery Scott Inc.

Johnson, Lane, Space, Smith & Co., Inc. · Johnston, Lemon & Co. Incorporated · Edward D. Jones & Co. · Ladenburg, Thalmann & Co. Inc. · Cyrus J. Lawrence Incorporated

Legg Mason Wood Walker Incorporated · McDonald & Company Securities, Inc. · McLeod Young Weir Incorporated · Morgan Keegan & Company, Inc.

Morgan, Olmstead, Kennedy & Gardner Incorporated · Moseley Securities Corporation · Neuberger & Berman · The Ohio Company · Piper, Jaffray & Hopwood Incorporated

Prescott, Ball & Turben, Inc. · Rauscher Pierce Refsnes, Inc. · Raymond, James & Associates, Inc. · Richardson Greenshields Securities Inc.

Rotan Mosle Inc. · Seidler Amdec Securities Inc. · Stephens Inc. · Stifel, Nicolaus & Company Incorporated · Sutro & Co. Incorporated

Tucker, Anthony & R. L. Day, Inc. · Wheat, First Securities, Inc. · Wood Gundy Corp.

Balis & Zorn, Inc. · George K. Baum & Company · Brean Murray, Foster Securities Inc. · Buys-MacGregor, MacNaughton-Greenawalt & Co.

Cantor, Fitzgerald & Co., Inc. · The Chicago Corporation · Craigie Incorporated · R. G. Dickinson & Co. · Evans & Co. Incorporated · Fahnestock & Co. Inc.

First Albany Corporation · First Manhattan Co. · J. J. B. Hilliard, W. L. Lyons, Inc. · Howard, Weil, Labouisse, Friedrichs Incorporated · Jefferies & Company, Inc.

Jesup & Lamont Securities Co., Inc. · Josephthal & Co. Incorporated · Laidlaw Adams & Peck Inc. · Mabon, Nugent & Co. · The Milwaukee Company

Moore & Schley Securities Corporation · W.H.Newbold's Son & Co.,Inc. · Newhard, Cook & Co. Incorporated · Parker/Hunter Incorporated · Rodman & Renshaw,Inc. · R. Rowland & Co. Incorporated

Schneider, Bernet & Hickman Incorporated · Scott & Stringfellow, Inc. · Underwood, Neuhaus & Co. Incorporated · Van Kasper & Company · Wedbush, Noble, Cooke, Inc.

Division of Thomson McKinnon Securities Inc.

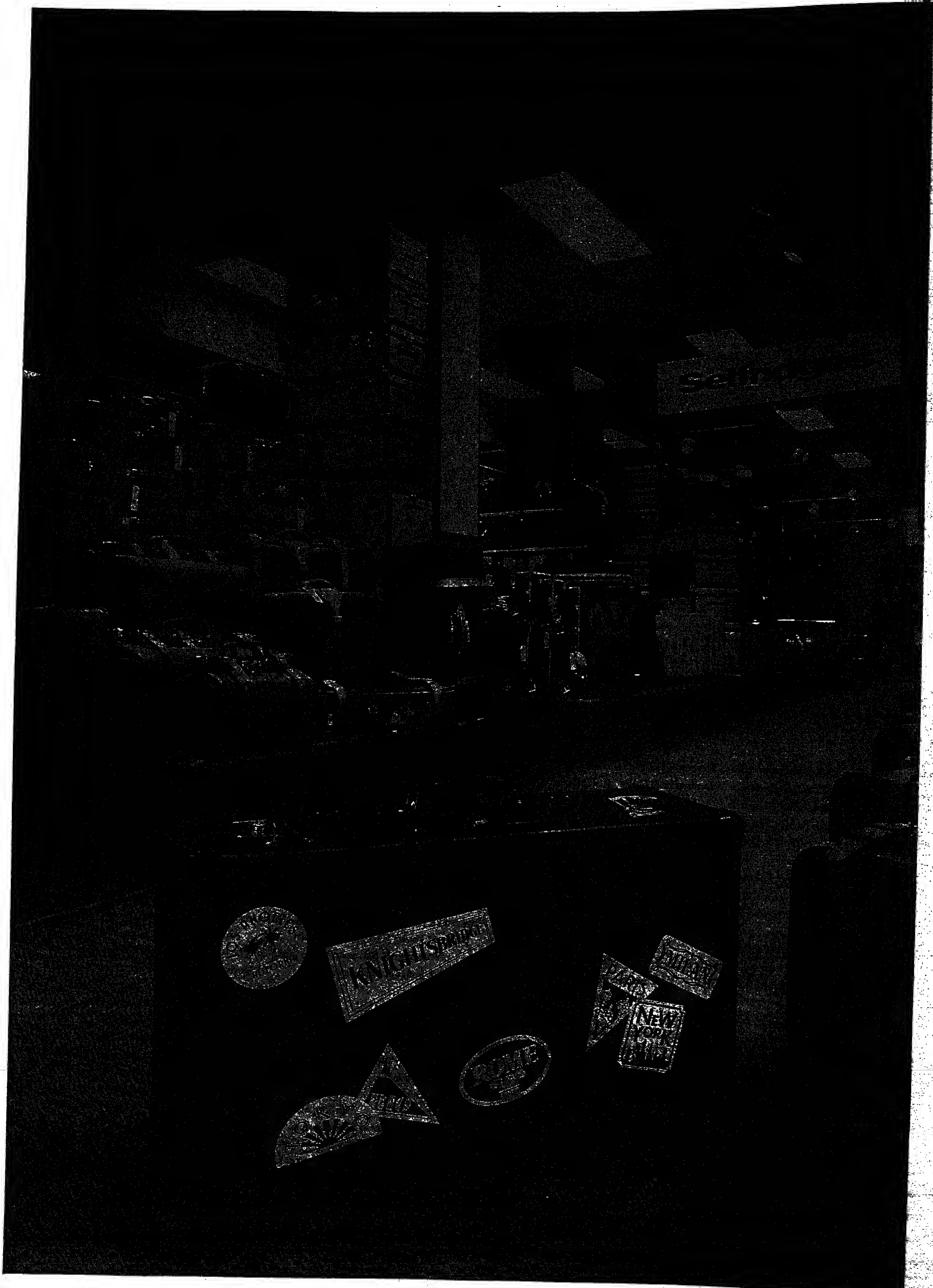
L.H. Alton & Company · Baer & Company Incorporated · Carolina Securities Corporation · B.C. Christopher Securities Co. · Daniels & Bell, Inc. · Doley Securities Inc.

Equitable Securities Corporation · Hamershlag, Kempner & Co. · The Illinois Company Incorporated · Kesselman & Company Incorporated · Emmett A. Larkin Company, Inc.

McKinley Allsopp, Inc. · Philips, Appel & Walden, Inc. · Pryor, Govan, Counts & Co., Inc. · J. E. Sheehan & Company, Inc. · Southwest Securities, Inc.

Edward A. Viner & Co., Inc. · William K. Woodruff & Company Incorporated · Boenning & Scattergood Inc. · Keeley Investment Corp.

Norris & Hirshberg, Inc. · Smith, Moore & Co. · Stern Fisher Atkinson Inc · Young, Smith & Peacock, Inc.


KNIGHTSBRIDGE
PARIS
NEW YORK
ROME

YOU COULD TRAVEL THE WORLD AND NOT FIND A LARGER LUGGAGE DEPARTMENT.

Down in the basement of Selfridges, there's a globe trotter's paradise.

750 square yards of fine travel goods of every description.

There are 300 different kinds of suitcase. 250 different kinds of hand luggage. A choice of 320 styles of executive briefcase.

You can spend as little as £3.95 on a Tote bag. Or as much as £3,500 on a luxury case.

Selfridges aim is to satisfy every member of the travelling public.

With such a vast array of merchandise, they're succeeding.

Turnover in the luggage department alone is around £4 million a year. (Clearly, there's money in suitcases.)

Selfridges is part of the Sears Group. And the policy of providing a wide and diverse range of goods for an equally wide and diverse range of customers is Sears' policy, too.

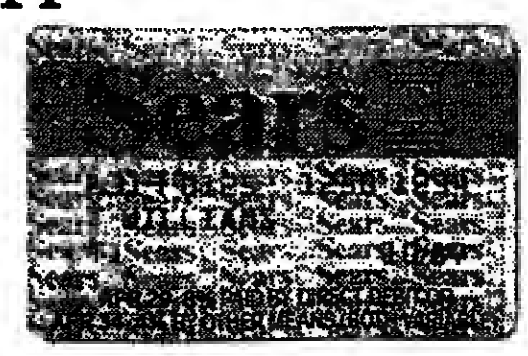
The Sears Group includes a host of famous retailers, all household names in the High Street.

Between them, they can provide you with almost anything you could possibly want to buy.

They can also provide you with the means of becoming a valued and privileged customer: A Sears credit card.

You can use it in any of the stores listed below.

If you would like one send for an application form and written details to: Sears Financial Services, Dept. MT, Freepost, London W2 4BR.



ADAMS CHILDRENSWEAR · DOLCIS · DORMIE · ESQUIRES · FOSTERS · GILBERT RICE · LEWIS'S · LILLEY & SKINNER · MAPPIN & WEBB · MILLETS · MISS SELFRIDGE · OLYMPUS SPORT
ROLAND CARTIER · SAXONE · SELFRIDGES · SHAW & KILBURN · SMT · WALLIS

Hornby in USM placing to eliminate buy-out debt

BY ALICE RAWSTHORN

Hornby Group, which manufactures toys such as Hornby model railways, Scalectrix slot car racing and Flower Fairies dolls, is joining the Unlisted Securities Market through a plecing of shares which will value its business at £8m.

The company bas had a turbulent history. The first Hornby toy trains was devised in 1920 by Meccano, the construction toy manufacturer. The group of which Hornby formed a part was acquired by the bolding company, Dunbee-Combe-Marx, in 1972.

DCM went into receivership in 1980. The following year, Hornby's managers organised a buy-out to acquire the company from the DSM receivers.

Unfortunately for Hornby the buy-out coincided with the emergence of electronic toys and computer games as a mejor force in the UK toy market. Hornby's sales slumped. In early 1983, a new management team embarked upon a programme of cost cutting and product innovation to restore the company's fortunes.

Hornby bas since diversified into new areas of the toy market by introducing new products such as Flower Fairies dolls and Pound Puppies cuddly toys. Next year it will introduce a new action doll, the Karate Kid.

It has also begun to nurture export markets. Products other than Hornby trains and Scalextric now account for 40 per cent

In the last financial year, to December 31, Hornby produced operating profits of £1.09m on turnover of £12.17m. The buy-out bas left the company with e burden of debt, however, and buy-out interest of £637,000 belped to reduce profits to £271,000 at tha pre-tax level. The company expects to produce pre-tax profits of £505,000 in the current year.

One of the principal reasons for the flotation is to raise capital in order to eliminate the debt incurred by the buy-out. Almost all the capital raised by the placing will be invested in the business. In the placing, through Alexanders Laing & Cruickshank, Hornby will issue 4.89m shares or 61 per cent of its equity at 100p a share on prospective earnings per share of 8.8p and a prospective p/e of 11.4.

Reed Executive over double at £2.6m

By Janice Warman

Reed Executive (Holdings), recruitment specialist, more than donbled its pre-tax profits to £2.62m from £1.15m for the six months to September 27.

Reed sold its Medicare chemist chain to Dee Corporation in August for £30m, and has adjusted its figures to exclnde its results.

On this basis, turnover rose 42 per cent to £29.7m from £20.9m. Interest payments were £60,000 (£70,000) and after tax of £950,000 (£551,000), earnings per share climbed 10.2p to 15.9p. Directors declared an interim dividend of 2p (1.5p).

Mr Alec Reed, chairman and chief executive, said the company had benefited from the general npturn in the industry as well as its own increased awareness of marketing and edvertising.

"We have become a far more high-profile company," be said. "We were something of a sleeping giant. We didn't advertise at all nntil two years ago."

He said Reed might be looking for another venture like Medicare, although it was not considering acquistions.

Reed Executive's shares were suspended on November 11 after the sale of Medicare. Reed Executive Holdings, the new company formed as a result of the disposal, joined the official list yesterday.

Hotels and inns behind Stakis rise

A RISE of over £2m to £15.4m in pre-tax profit was achieved by Stakis, the Glasgow-based leisure group, in the year ended September 28 1986.

This took account of the sale of the wines and spirits side and the purchase of Plan Invest, e personal financial planning consultancy.

Turnover in the year fell from £143m to £123m, reflecting the sale of the wines and spirits side on March 24 but offset by substantial increases from hotels and inns, property, and finance.

The trading profit rose from £15.78m to £17.64m, and the pre-tax balance was boosted by a reduction in interest charges from £1.95m to £1.65m. Earnings came to 4.63p (4.38p) and the dividend is lifted from 1.2p to 1.4p with a final of 0.95p net.

A split of the trading profit showed: hotels and inns £10.29m (£8.74m), casinos £3.22m (£4.28m), property £1.46m (£874,000), finance, after interest, £2.09m (£766,000), and wines and spirits £514,000 (£1.13m).

The net gain on the sale of the wines and spirits division was £11.43m and treated as an extraordinary item. This gave the group an attributable profit of £22.3m (£9.8m) for the year.

In the current year all divisions had made a good start, the directors stated.

● comment

With £300,000 from Plan Invest, these figures from Stakis are a little short of expectations. Not surprisingly therefore tha shares, which enjoyed e good rise in the last couple of weeks, fell back yesterday to 71p. The £1m fall in the casino's contribution was apparently more than accounted for by e drop in returns from the group's only London club, the Regency. Convincing the lower number of high rollers on which London clubs depend that they should frequent exotic Russell Square, as opposed to other West End gaming houses, poses the question of whether the effort is really worth the worry. For 1986-87 the outlook is a stolid £17½m. The shares may not excite unless the news that Stakis is about to bold one of its three yearly property revaluations sparks a little interest. Net assets were 40p per share as of September 1985 and could be worth e great deal more today.

Mr Reo Stakis, chairman of the Stakis group

Tex Holdings falls £62,000

Tex Holdings yesterday announced a £62,000 fall in pre-tax profits to £141,000 for the six months ended September 30, 1986. The previous £203,000 included £66,000 from discontinued activities.

Tex markets industrial ebrasives and complementary products to the motor refinishing and woodworking industries and makes spiral weld tube for the construction industry. Turnover for tbe period for continuing activities rose to £1.9m (£1.47m), and for discontinned activities was £1.11m last time.

Earnings per 10p sbare fell from 5.5p to 3.8p, but the interim dividend is being held at 1.5p.

The results for tbe balf year include one month of A. K. Precision Mouldings, and two months of the smaller Technopipe.

Acquisition and organic growth boosts Havelock

Havelock Europa, the shopfitting and retail store designer, benefited both from satisfactory organic growth and first half year contributions from Store Design and more than trabled its pre-tax profit in the six months to October 17, 1986.

Turnover increased from £5.5m to £14.7m and profit moved up to £1.3m from last time'e £422,000.

Mr Tom Corrigan, the chairman, said the group bad executed a substantially increased volume of work during the period.

He reported thet excellent progress was being made in integrating the business of Store Design, which Havelock acquired in March, into the rest of the group.

The group, wbich came to the USM in Marcb 1984, would see a more even distribution of profit between the first and second balves this time.

Mr Corrigan added that results in the second half to date continued et e highly satisfactory level and new orders received were at an impressive level.

After tax of £483,000 (£175,000), earnings moved up from 4.12p to 7.01p. The interim rose to 2p (1.12p).

PRIEST MARIANS Holdings (property investment and development): Pre-tax loss £85,921 (£20,072) for six months to August 31 1986. Loss per 10p share 2.4p (adjusted 0.7p). Board forecasts dividend for year of not less than 1.5p (adjusted 1.4p).

TR NATURAL Resources Investment Trust: Net asset value at September 30, 1986 up to 151.5p (edjusted 147.2p at March 31). Pre-tax revenne £2.44m (£2.23m) and earnings per share 2.72p (adjusted 2.37p). Interim dividend 1.75p (same).

Samuelson expands in US as profits decline 46%

Following its profits warning in August at the annual meeting, Samuelson Group yesterday tirned in pre-tax figures down 46 per cent from a restated £2.5m to £1.85m for the six months to September 30 1986. The company also announced the acquisition of Audio Visual Headquarters Corporation (AVHQ) for up to $8m (£5.6m) cash.

Samuelson, based in London, is an international supplier of equipment and extensive services to the film, television, presentation and leisure industries.

Mr Sydney Samuelson, the chairman, said yesterday that a return to more buoyant levels of trading in the UK feature film sector during September, as well as a partial recovery in the Australian dollar exchange rate, had produced satisfactory first-half results.

The shares, bowever, were marked down 11p to 177p.

The chairman added that the strategy of expansion into other areas of operation had helped to reduce the impact of the downturn in the UK feature film business in the earlier months of the year.

Trading in the opening weeks of the second half had sustained the improved level of activity seen at the end of the first months.

Samuelson's case-making and freight companies continued to do well, but the company bad decided to dispose of tha production village.

Samuelson is paying for the Los Angeles-based AVHQ in three instalments over the next four years, payable $2.5m on completion, $2.7m on June 30 1988 and up to $2.8m on June 30 1990. AVHQ bires high quality audio visual and video equipment to a wide range of clients.

In the year ended June 30 1986, AVHQ pre-tax profits were $642,000 (£450,000) on turnover of $8.56m (£5.99m). Net assets at that date were $1.8m (£1.26m).

Samuelson's first balf turnover was £24.58m (£17.61m). Stated earnings per 20p share fell from 7.93p to 4.21p, but the net interim dividend is maintained at 0.8p.

Acquisitions behind BTP 43% profit rise

BTP, chemical manufacturing and bulk storage group, lifted pre-tax profits by 43 per cent from £1.91m to £2.74m in the six months to September 30 1986. Turnover rose 52 per cent to £29.74m, against £19.62m.

The company said the significant improvement resulted from both the full impect of the recent acquisitions of Isinglass Manufacturers and Dufay Bitumastic and a strong performance from the original speciality chemical manufacturing companies.

The second six months had started well and the company looked forward to a satisfactory outcome to the year.

Earnings per 10p share rose from 3.59p to 4.48p and the interim dividend is stepped np to 2p (1.5p) net. Last year, a total of 4.5p was paid on record £4.31m profits.

Interim pre-tax profits were after a £26,000 contribution this time from an associated company. Net interest charges more than doubled from £126,000 to £269,000 and tax took £955,000 (£726,000).

The rationalisation of the Dufay Bitumastic group since acquisitions had resulted in an extraordinary credit of £70,000 making the ettributable balance et £1.84m, against £1.17m. Dividends absorb £794,000 (£488,000).

Airsprung advances to £0.87m

Airsprung Group, the Wiltshire-based bed manufacturer, pushed its turnover np by £456,000 to £12.06m and its profits before tax by £123,000 to £871,000 in the six months to September 30 1986.

The directors said the second six months had started satisfactorily and noted that the proposed increase in Government spending, especially on housing, should provide an increase in demand which the group was well placed to meet having completed the factory reorganisation.

First half interest charges were cnt to £28,000 (£95,000) but tax took £35,000 more at £320,000.

Earnings emerged 1p ahead at 9.1p and shareholders are to receive an interim dividend of 2.9p, the first payment since the company joined the USM in June.

Towngrade omits dividend as profits fall

BY PHILIP COGGAN

Towngrade Securities, the property company, yesterday passed its dividend (£1p) and announced pre-tax profits down to £33,000 (£48,000) for the year to June 30. Control of the company passed to another property group, Millbank Developments in July, 1985.

Towngrade joined the USM in 1982 by reversing into First Talisman Investments, which had been suspended from the main market in 1977. The next year, First Talisman changed its name to Towngrade Securities, with Towngrade Ltd, a private company, bolding 70 per cent of the equity.

The group's chairman was Sir Edward du Cann, MP, but he resigned shortly after the takeover by Millbank. The purchase provoked e fair amount of controversy since it involved a lengthy argument with the Takeover Panel and an offer document which revealed that Millbank's last published results (in February 1984) had been qualified by auditors Finnie & Co.

Towngrade has now passed on the management of its properties to an outside group, in order to free its hands to concentrate on property development. The result has been a fall in nct rental income from £409,000 to £382,000, but Mr Arthur Oakes, chairman, is confident that the fruits of the company's efforts will show in the near future.

The board has been strengthened by the addition of Mr Nigel Kempner of Cook & Arkwright and Mr R. G. Sanderson, formerly of Peat Marwick as finance director.

Operating profit was £235,000 (£278,000) and after net interest payable of £201,000 (£262,000) and tax of £53,000 (credit £2,000), the loss per share was 0.39p (earnings 0.95p).

John Jacobs stake

John I. Jacobs, the shipowner and broker, is to sell its 35.9 per cent stake in R. K. Harrison back to the unqnoted underwriting agent for £1.25m in cash.

Jacobs reported income of £201,000 as its share of Harrison's pre-tax profits in 1985. The disposal is subject to approval by the Inland Revenue and e shareholders' meeting on December 31.

CELESTION INDUSTRIES (manufacturer of sound reproduction equipment and clothing): Turnover £21.2m (£18.84m) and pre-tax loss £25,000 (£140,000) for half-year to October 4 1986. Loss per share 0.1p (0.7p). Group on target to exceed last year's £1.07m pre-tax profit.

YORK TRUST Group (USM-quoted issuing house and financial services group): Pre-tax profits for half year to September 30 1986 were £241,716 (£48,301). Earnings per share 0.89p (0.26p). No interim dividend (0.06). Extraordinary debit £150,469 (nil). The company is acquiring Selective Investments, Jersey-based investment group, for £1.65m, payable in shares at 60p.

ALBION (clothing manufacturer): Final dividend 1p making 1.8p (1.3p) for year ended September 30, 1986. Turnover £7.18m (£6.15m) and pre-tax profit £467,024 (£281,921). Earnings per 20p share 10p (7p).

M&G SECOND DUAL TRUST: Interim dividend 7.1p (5.8p) net for the six months ended November 30, 1986. Final of at least 6.1p (5.5p) forecast, making at least 13.2p (11.3p). Net revenne £711,335 (£592,766) after tax of £290,575 (£254,083). At November 28 asset value per 4p capital share amounted to 308.56p.

هكذا من الأصل

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Bridge Fund Managers (a)(c)
20, Copthall Avenue, London, EC2R 7PA. 01-588 6064

Amer Gen. Inc.†	78.8	83.5xd	....	—
Do. Acc.†	77.8	84.4	....	5.19
Income†	155.8	166.6xd	....	5.33
Capital Inc.†	134.9	143.1	....	1.67
Do. Acc.†	277.0	190.3	....	1.67
Exempt‡	290.0	312.0	....	1.81
Intl. Recovery Inc.‡	33.4	36.4	....	3.16
Do. Acc.‡	45.9	49.4	....	3.16

Dealing: †Tues. ‡Wed. †Thur. Prices Dec 9(8/11)

Britannia Unit Trust Managers Ltd—see M/M Britannia Unit Trust Managers Ltd

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 412261/2/3/4/5

B.S. Portfolio Fnd	62.7	66.7	+0.2	3.01
B.S. Accum	105.8	112.3	+0.2	3.01
European Fund	23.6	25.2	....	0.74
Financial	130.6	138.9	+1.1	2.55
Contrar	36.6	38.9	-0.1	0.43
High Income	67.2	71.8	....	5.70
Income	76.4	81.7	-0.1	4.72
North American	56.9	60.8	-0.8	1.44
Orient	87.3	99.4xd	+0.2	0.25
Recovery	46.8	50.1xd	+0.5	1.8
Smaller Cos Fd Accum	234.7	251.1	+0.1	0.99
Smaller Cos Fd Inc	149.9	160.3	....	0.99
Technology	129.6	137.9xd	-0.6	0.32

Brycourt Unit Trust Mgmt Ltd(a)(c)(d)
Neskath Hse, Portman Sq, W1H 0JR 01-499 6382

Income Growth	141.2	146.4	....	4.82

Buckmaster Management Co Ltd (a) (c)
The Stock Exchange, London EC2P 2JT 01-588 2868

Fellowship Tst Dec 8	51.2	54.5	....	3.00
(Accum Units) Dec 8	51.2	54.5	....	3.00
General Inc Dec 4	221.7	231.1xd	....	2.90
Accum Units Dec 4	356.3	372.2	....	2.99
Income Dec 10	103.6	108.4	+0.2	5.06
(Accum Units) Dec 10	185.1	193.6	+0.3	5.06
International Dec 9	138.6	144.9	....	1.47
(Accum Units) Dec 9	184.4	192.1	....	1.47
Smaller Co's Dec 3	1219.4	1288.8	....	2.82
(Accum Units) Nov 28	1278.7	1372.6	....	2.82

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

CS America Fd	58.2	61.9	-0.5	0.81
CS International Fund	54.9	58.6	-0.3	1.95
CS Japan Fund	87.4	93.0	+0.8	0.54
CS Portfolio Inc. Fd.	64.1	68.2xd	+0.9	2.95

FS Investment Managers Ltd
190 West George St, Glasgow 041-332 6462

FS Balanced Grth Fd	44.4	47.2	....	1.1
Do (Accum)	45.5	48.2	....	1.1
FS Inc Grwth Fd	40.6	43.4xd	....	5.3
Do (Accum)	43.7	46.5	....	5.3
Smaller Co's Fd	51.9	54.6xd	....	1.0
Do (Accum)	52.1	55.4	....	1.0

Fidelity Investment Services Ltd
River Walk, Tonbridge TN9 1DY
0732 361144 Dealing 0800 414181

American (z)	106.0	115.6xd	-1.4	0.71
Amer. Eq. Inc (z)	35.7	38.2	-0.2	4.34
Amer Spec. Sits (z)	55.4	59.3	-0.5	0.51
Australia Trust (z)	33.6	35.8	-0.4	1.99
European Trust (z)	45.8	48.9	..	0.00
Far East Inc Tst (z)	36.7	38.9xd	....	3.97
Gilt & Fxd Int (z)	28.7	29.9	..	9.87
Growth & Inc Tst (z)	95.5	102.2	+0.5	4.70
Japan Special Sits (z)	91.4	94.1	-0.2	0.00
Japan Trust (z)	147.3	157.4	-0.4	0.00
Managed Int. Tst (z)	143.8	153.9	-1.2	0.17
Max. Inc. Eq. Tst. (z)	82.4	88.2xd	+0.4	5.10
Preferred Grwth Tst (z)	33.0	35.4	+0.1	2.35
South E. Asia Tst (z)	42.6	45.4	+0.2	0.31
Special Sits (z)	174.1	186.3	+0.4	0.53

Robert Fleming & Co Ltd
25 Copthall Ave, London EC2R 7DR 01-638 5858

†Am Exempt (9/12)	£376.42	382.72	....	1.40
†General Exempt (9/12)	£106.10	108.40	....	3.14
†Jap Exempt (9/12)	£469.72	479.26	....	0.45
†Am Prop Trust (15/5)	$10.789		....	5.00
†Prop Trust (29/9)	£2.029		....	5.80

†Unauthorised

Baillie Gifford & Co Ltd
3 Glenfinlas St, Edinburgh 031-226 6066

Int'l Ex November 3	492.4	514.6	....	0.87
Japan Ex Nov 26	420.7	438.8	....	0.21
UK Ex November 26	235.7	250.8	....	1.34
Personal Intl Dec 15	341.6	370.1	....	—
Personal UK Dec 15	231.5	243.7	....	—
BG Japan (z)	200.8	211.7	+0.8	0.00
BG America (z)	172.6	183.7	-0.9	0.00
BG Technology (z)	152.5	162.1	....	0.00
BG Energy (z)	162.7	173.1	-2.1	1.95
BG Income Growth	199.4	212.2xd	+0.9	5.41
BG Europe (z)	118*	126.0xd	-0.3	0.72
BG Com & General	53.2	56.7	+0.1	7.95

*Unauthorised

Bishopsgate Progressive Mgmt. Co
15 St James' Place, London SW1A 1NW 01-493 8111

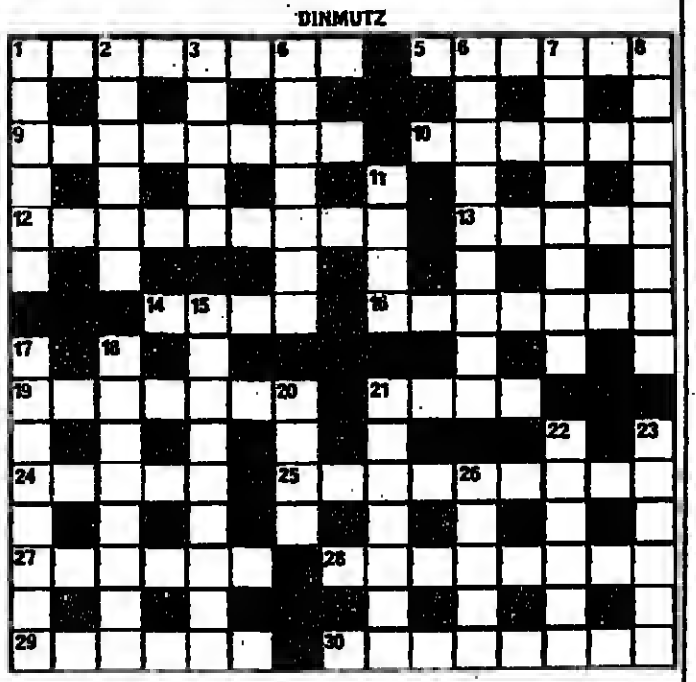
Progressive Inc	1226.0	1312.0	....	0.59
Progressive Acc	1691.0	1809.0	....	0.59
International Inc	1397.0	1507.0	....	0.91
International Acc	1728.0	1848.0	....	0.91
Recovery	215.9	224.4	+0.7	—
Can & Foreign Inc	163.4	172.3xd	....	1.13
Can & Foreign Acc	174.9	184.4xd	....	1.13

Brewin Dolphin Unit Tst Mngrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital Fd	140.6	145.7	+2.2	1.05
Brewin Dividend Fd	73.5	76.0	+0.8	7.55
Brewin Int Gilt Inc Fd	162.6	168.5	+1.6	5.91

FT CROSSWORD PUZZLE No. 6,200

DINMUTZ

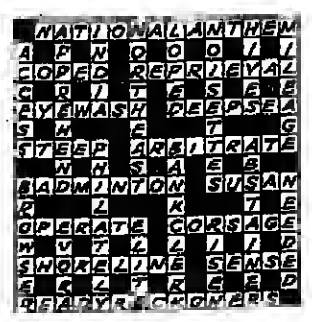


ACROSS

1 Domestic hitter where mob rioted (4-4)
5 Superb he-witch (6)
9 Seldom Rugby Union scrummage has such tyres (8)
10 Rat-headed water-creature is a stinker (6)
12 Frail human Sade without moral restraints (9)
13 Wall painting a home counties c-concern? (5)
14 It can be slipped in a personal column (4)
16 Upright Norman's first to be swayed, somehow (7)
19 How sad—employment exchange almost brimming (7)
21 Window-frame of southern wood (4)
24 Obliterate some of camera's exposures (5)
25 Thriller-writer's stock-in-trade? (9)
27 Does copper change serve as legal tender abroad? (6)
28 Dance of Semitic type in desert (8)
29 Coaches' street-route unfinished perhaps (6)
30 Colonists who paid the price (8)

DOWN

1 Broke out of purdah (4-2)
2 One with litter breast-high? (6)
3 British heavy drinker to grow red (5)
4 Tail on mice damaged? It is peculiar to one area (7)
6 Derision's uncommon in Cromwell's men (9)
7 Huxley's novel work opposing yachtsman? (5, 3)
8 Some dour variety of party-member (8)
11 Border has slight advantage (4)
15 Silly man? (9)
17 Sticking fan (8)
18 Sharp gets elegant off-drive (5-3)
20 The Strand secure? (4)
21 Main road (3-4)
22 Iron man or woman (6)
23 Day she broke up the stars (6)
26 Doctor carries a foot-plan (5)



INSURANCES

AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc	95.2	100.2	-0.1	
American Acc	101.2	106.6	-0.2	
Deposit Acc	99.6	104.8		
European Acc	110.9	116.7	+0.3	—
Far Eastern Acc	114.1	120.1	-0.1	—
Fixed Interest Acc	82.6	87.0	+0.2	—
International Acc	109.4	115.2	+0.3	—
Property Acc	120.1	126.4	-0.5	—
UK Equity Acc	93.0	97.9	-0.4	—
Alpha Range—Pensions				
Managed Acc	97.7	102.5	+0.4	—
Premier Range				
Managed Acc—Life	108.1	113.8	+3.5	—
Managed Acc—Pensions	105.4	115.2	+3.9	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	254.89	268.30	+0.16	—
Managed Income	117.64	123.83	+0.69	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	356.0	374.8	+0.2	—
Managed Accum.	301.8	317.7	-0.1	—
Equity Accum	437.6	460.7	+0.5	—
Property Accum.	206.9	217.8	.....	—
International Accum.	276.9	291.5	-1.2	—
Gilt-edged Accum	195.2	205.5	+0.8	—
Money Accum	176.4	185.7	.....	—
American Accum.	181.9	191.5	-1.6	—
Australia Accum	161.8	170.4	-0.5	—
Financial Accum	205.2	216.1	+0.8	—
"500" Accum	220.2	231.8	+0.7	—
European Growth Accum.	146.1	153.8	-0.1	—
Income Accum	242.4	255.2	+0.2	—
Japan & Gen Accum	327.0	344.3	+0.1	—
Leisure Accum.	148.6	156.5	-0.7	—
Spec Sits Fd Accum	122.5	129.0	+0.5	—
Universal Tec Accum	110.5	116.4	-0.5	—
Managed Pns Accum	403.1	424.6	+0.6	—
Equity Pns Accum	146.8	154.6	+0.2	—
Intnl Pns Accum	155.6	163.8	-0.4	—
Gilt-edged Pns Accum	278.7	293.4	+1.2	—
Money Pns Accum	256.9	270.5	.....	—
Property Pns Accum	107.4	113.1	.....	—

For prices of Initial Units phone 01- 534 5544.

Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405161

Black Horse Man. Fd		360.77	.....	—
Income Fd.	331.25	348.69	.....	—
Extra Income Fd.	314.55	331.11	.....	—
Worldwide Growth Fd.	332.88	350.40	.....	—
Balanced Fd	290.42	305.71	.....	—
Smlr Co's & Recvy Fd.	361.62	380.60	.....	—

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) Dec 1	252.5	266.0		
Fixed Int(A&B) Dec 1	163.5	172.5		
Man Grwth(A&B) Dec 1	529.0	557.0		
Money Fd (A&B) Dec 1	142.5	150.0		
Cap Fd(A&B) Nov 15	400.0		.....	—
G&S SuccFd(A&B) Nov15	166.0		.....	—
FarEstEqty(A&B) Dec 1	187.5	197.5	.....	—
N Amer Eqty(A&B) Dec 1	108.5	114.5	.....	—
IntTechnlg(A&B) Dec 3	156.5	165.0	.....	—
Property (A&B) Dec 3	196.5	207.0	.....	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	142.9	150.7	+0.4	—
American Equity	125.1	131.9	.....	—
Far East Equity	168.0	177.2	.....	—
Managed Fund Acc.	371.0	391.0	.....	—
International Equity	189.9	200.3	.....	
Gilt Edged	179.8	189.6	.....	
Money Fund	144.7	152.6	.....	
CCL Henderson	162.5	172.2	.....	—
CCL Perpetual	205.0	216.2	.....	—
CCL Property	229.5	241.9	.....	—
Smaller Cos.	251.8	265.6	.....	—
Perpetual Eurogrowth	121.0	127.6	.....	—
CCL Newf'nd Prime Res.	97.5	102.8	.....	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	173.0	182.2	+0.2	—
Criterion Mngd Fund	166.1	179.8		—
Pension Mngd Cap	52.4	55.2	+0.3	—
Pension Mngd Acc	61.8	65.1	+0.3	—
Pension G'nteed Dep Ac	34.7	36.5		—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds				
American Acc	102.1	107.4	-1.0	—
Equity Acc	378.1	398.0	.....	—
European Acc	184.2	193.8	-1.1	—
Fixed Interest Acc	209.9	220.9	+0.8	—
High Income Acc	359.5	378.4	-0.2	—
Intnl Acc	349.2	367.5	-1.9	—
Inv. Trust Acc	415.4	437.2	-0.8	—
Japanese Acc	168.4	177.2	-0.5	—
Managed Acc	313.6	330.1	.....	—
Money Acc	179.6	189.0	.....	—
Property Acc	186.5	196.3	.....	—
Individual Pension Funds(z)				
American	117.3	123.4	.....	—
Equity	383.5	403.6	.....	—

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 01-488 0733

Hambro Generali UKGth	108.1	113.8	+0.8	—
Hambro Generali Prty	116.6	122.8	-0.9	—
Hambros Canadian	116.3	122.5	-3.3	—
Hambros Equity Inc	115.1	121.2	-0.6	—
Hambros European	125.3	131.9	-0.5	—
Hambros High Income	114.2	120.3	+0.4	—
Hambros Jap & Far East	150.7	158.7	-4.2	—
Hambros Nth American	110.3	116.2	-0.9	—
Hambros Res & Assets	112.7	118.7	-3.7	—
Hambros Scandinavian	128.5	135.3	-2.4	—
Hambros Smaller Cos	126.3	133.0	-0.8	—
Generali Intnl Managed	309.5	325.8	-4.1	—
Generali Int Mgd Pens	132.7	139.7	-0.3	—
Generali Cash	101.5	106.9	.....	—

General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts 0992 31971

Life Funds				
Portfolio Fd Acc.	411.2	[illegible]	-0.1	—
Portfolio Inv. A.	411.1	[illegible]	-0.1	—
UK Equity	203.4	[illegible]	+0.4	—
Overseas Equity	149.0	[illegible]	-0.7	—
Smaller Companies	115.7	[illegible]	-0.2	—
Far Eastern	133.0	[illegible]	-0.1	—
European	123.6	[illegible]	+0.4	—
North American	107.3	[illegible]	-0.8	—
Gilt Plus	110.2	[illegible]	-0.2	—
Fixed Int. Dep.	112.6	[illegible]		—
Building Soc	111.2	[illegible]	.....	—
Property	128.9	[illegible]	+0.2	—
Index-Linked Gilt	96.3	[illegible]	.....	—
Managed	164.7	[illegible]	-0.1	—
Int. Managed	148.1	[illegible]	-0.5	—
Gartmore	111.4	[illegible]	-0.3	—
Framlington	108.4	[illegible]	-0.1	—
Perpetual	105.8	[illegible]	+0.1	—
Fidelity	108.0	[illegible]	-0.1	—
Guinness Mahon	100.5	[illegible]	+0.3	—
Mutland	137.3	[illegible]	+0.4	—
N. M. Rothschild	98.6	[illegible]		—
Pension Funds				
Pen UK Equity	231.4	243.7	+0.5	—
Pen Overseas Equity	159.4	163.9	-0.9	—
Pen Smaller Cos	120.7	127.1	-0.2	—
Pen Far Eastern	142.7	150.3	-0.2	—
Pen European	131.7	138.8	+0.6	—
Pen North American	111.6	117.6	-0.9	—
Pen Gilt Plus	118.8	125.3	-0.2	—
Pen Fixed Int Dep	122.7	129.3	.....	—
Pen Bldg Soc	122.7	129.3		—
Pen Property	141.4	149.0	+0.3	—

The LAS Group
10 George St, Edinburgh 031-225 8494

Crescent Life Assurance				
Managed Fund	218.3	231.8	.....	—
UK Equity	252.7	268.0	+0.2	—
Property	188.8	200.3	.....	—
Money Market	142.2	150.1	.....	—
Fixed Int.	160.1	169.8	+0.6	—
Japan	300.0	310.2	+3.2	—
North America	139.1	147.6	-1.5	—
International	202.0	214.4	+1.2	—
Natural Res	67.2	71.3	+0.1	—
European	180.3	190.5	-0.3	—
Far East	120.6	127.4	-0.1	—
High Technology	95.2	100.6	-0.1	—
Special Situations	102.4	108.1	-1.3	—
Pension Funds				
Managed	140.5	148.7	-0.3	—
International	145.3	153.4	+1.4	—
Property	121.3	128.0	.....	—
Money Market	121.6	129.2	.....	—
Fixed Interest	120.8	127.3	+0.6	—
UK Equity	155.1	163.7	+0.9	—
North America	113.0	119.5	-0.7	—
Japan	169.5	178.8	+2.7	—
European	180.9	190.8	-0.3	—
Broker Life Funds				
Antics	133.4	140.7	-0.1	—
Dawny Investment	101.3	106.9	+0.2	—
EP Ward Dec	146.7	154.7	-0.2	—
Munro Asset Mngd	118.1	124.6	-0.1	—
Murray Noble Top 20	103.5	107.6	+0.1	—
Sovereign	96.8	102.1	-0.1	—
Stewart Short Scorpio	97.8	103.1	.....	—

Legal & General (Unit Assur) Ltd
2 Montefiore Road, Hove, BN5 1SE 0273 724588

Buildg. Soc. Linked	103.1	108.6	.....	—
Do. Accum.	109.8	115.6	.....	—
Cash Initial	129.4	136.3	.....	—
Do. Accum.	173.7	182.9	.....	—
Equity Initial	394.8	415.6	-0.1	—
Do. Accum.	530.0	557.9	-0.2	—
European Initial	136.3	143.5	.....	—
Do. Accum.	141.6	149.1	.....	—
Far Eastern	198.1	208.6	-0.2	—
Do. Accum.	205.7	216.6	-0.3	—
Fixed Initial	223.8	235.6	+2.3	—
Do Accum.	300.4	316.3	+3.1	—
Index Linked Gilt	94.7	99.7	-0.2	—
Do. Accum.	108.5	114.3	-0.2	—
Intl. Initial	277.7	292.4	-1.0	—
Do. Accum.	367.8	386.4	-1.4	—
Managed Initial	305.2	321.3	+0.3	—
Do. Accum.	409.7	431.3	-0.4	—

Merchant Investors—Cont.

Intnl. Currency		168.6	.....	—
Do Pens		216.9	.....	—
Index Linked		114.8	-0.1	—
S & C Managed Fd		130.0	.....	—
Trustlink Life Funds				
Per Worldwide Rec		145.2	-0.8	—
Per Far East Growth		160.9	-0.3	—
Per Intl Growth		143.9	-0.1	—
Per Income		136.2	+0.1	—
Per Emerging Co's		138.0	-1.5	—
Per American Growth		136.6	-0.7	—
Per European Growth		121.8	-1.4	—
Fra American & Gen		124.9	-1.0	—
Fra Capital		125.1	+0.2	—
Fra Income		135.8	+0.2	—
Fra Intl Growth		128.7	-0.4	—
Fra Japan & Gen		160.3		—
Fra Recovery		146.9	+0.3	—
Fra Convertible & Gilt	119.7		-0.4	—
Fra European		153.0	+0.2	—
GAR American		123.6	-0.2	—
GAR European		161.7	-0.6	—
GAR Far Eastern		178.7	+0.1	—
GAR British		136.8	+0.3	—
GAR Global		154.1	-0.3	—
GAR Special Situations		138.8	+0.2	—
GAR Smaller Co's		142.7	-0.2	—
GAR Australian		131.7	+0.3	—
HEN Managed		154.7		—
HEN UK Growth		134.5	+0.2	—
HEN UK Income		136.1	+0.2	—
HEN American		123.6	-0.2	—
HEN Far East		167.2	-0.1	—
HEN European		172.8	-0.4	—
HEN Prime Res Prop		100.1	.....	—
TSB American		135.5		—
TSB General		143.7	+2.4	—
TSB Managed		132.4	+0.2	—
TSB Pacific		159.5		—
TSB Selected Opps		138.7	-0.1	—
FID American		103.8	-6.8	—
FID Japan		162.3	-6.3	—
FID European		137.7	-0.1	—
FID UK		104.2	+0.3	—
FID Pacific		122.4	+0.3	—
FID Int Managed		138.7	-0.2	—
FID Int. Income		104.8	+6.1	—
FID Int. Spec Sits		105.5	+0.3	—

Municipal Life Assurance Ltd
99 Sandling Rd, Maidstone 0622 679351

Initial Equity	128.0	135.0	.....	—
Initial Managed	130.5	138.9	.....	—

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

American	130.0	137.0	-1.0	—
Building Soc. Fd	147.0	155.0	.....	—
Balanced	217.0	229.0	.....	—
Deposit	147.0	155.0	.....	—
European	175.0	185.0	.....	—
GT Managed	152.5	160.0	.....	—
Gartmore Mngd	115.0	122.0	+2.0	—
Gervais	152.0	160.2	.....	—
Gilt	141.2	149.2	.....	—
High Inc.	113.0	119.0	.....	—
International Equity	185.0	195.0	.....	—
Japan	222.0	234.0	-1.0	—
Oppenheimer Mngd	117.0	124.0	.....	—
Property	186.0	196.0	.....	—
UK Equity	223.0	235.0	.....	—
Pension Funds				
American	106.0	112.0	.....	—
Building Soc. Fd.	131.0	138.0	.....	—
Balanced	253.0	262.0	.....	—
Deposit	131.0	138.0	.....	—
European	178.0	188.0	.....	—
GT Managed	187.0	197.0	.....	—
Gartmore Mngd	117.0	124.0	.....	—
Gervais	155.0	164.0	.....	—
Gilt	112.0	118.0	.....	—
International Equity	124.0	131.0	.....	—
Japan	130.0	137.0	.....	—
Oppenheimer Mngd	122.0	129.0	.....	—
Property	131.0	138.0	.....	—
UK Equity	164.0	173.0	.....	—

Property Equity & Life Ass. Co
Baxter Ave, Southend SS2 6QH 0702 333433

Int Man Pension Fd	128.8	135.6	+1.1	—
Int. Man. Curcy Bd Fd.		125.3	.....	—
Flexible Prop. Bd. Fd.		158.1	.....	—
Flexible Money Bd. Fd.		281.1	.....	—
Special Man. Inc. Fd.		110.2	.....	—

Property Growth Assur Co Ltd
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund		295.0	.....	—
Property Fund (A)		283.6	.....	—
Agricultural Fund		827.2	.....	—
Agric. Fund (A)		794.5	.....	—
Abbey Nat. Fund		254.1	.....	—
Abbey Nat. Fd. (A)		248.0	.....	—
Investment Fund		192.8	-0.1	—
Investment Fund (A)		187.1	-0.1	—
Equity Fund		650.4	-0.2	—
Equity Fund (A)		633.6	-0.1	—
Money Fund		271.7	+0.1	—
Money Fund (A)		264.6	+0.1	—

Royal Heritage Life—Contd

Europe	111.7	117.6	+0.4	
Growth & Income	92.3	47.2	+0.3	
Japan Special	99.7	105.0	+1.5	—
Japan Sunrise	87.9	103.1	-0.5	—
First Japan	103.3	108.8	-0.4	—
First North America	91.4	96.4	-0.2	—
First Smaller Cos.	98.8	104.1		—
Managed	108.6	114.4	-0.2	—
MIM Britannia—Series A				
American Growth	82.3	86.7	-0.3	—
European Smaller	120.1	126.5	-0.1	—
International Leisure	91.4	96.3	-0.5	—
US Income	81.1	85.4	-2.0	—
US Smlr Co's	120.6	127.0	-0.5	—
Commodity	80.4	84.7		—
Extra Inc.	119.9	126.3	+0.3	—
Far East	135.7	142.9		—
Fin Secs	189.7	199.7	+0.3	—
Gold	58.6	61.7	-0.2	—
Inc Growth	190.6	200.7	+0.6	—
Intl Growth	151.8	159.8		—
Intl Recovery	206.3	217.2	-0.7	—
Japan Perf.	216.5	227.9	-1.1	—
Japan Smlr Cos.	102.1	107.5	+0.3	—
Nat High	182.1	191.7	+0.8	—
Prop Shares	167.8	[illegible]	[illegible]	—
Smaller Cos.	198.9	[illegible]	[illegible]	—
Univ Energy	40.1	[illegible]	[illegible]	—
World Tech.	124.9	[illegible]	[illegible]	—
Man Growth	178.7	[illegible]	[illegible]	—
Gilt	80.8	[illegible]	[illegible]	—
Hong Kong	98.5	[illegible]	[illegible]	—
Aust Growth	117.5	[illegible]	[illegible]	—
European Perf.	104.5	[illegible]	[illegible]	—
Gartmore Funds—Series A				
American	165.1	[illegible]	[illegible]	—
Australian	106.9	[illegible]	[illegible]	—
British	172.5	[illegible]	[illegible]	—
Commodity	146.2	[illegible]	[illegible]	—
European	153.9	[illegible]	[illegible]	—
Extra Inc.	170.3	[illegible]	[illegible]	—
Far East	255.0	[illegible]	[illegible]	—
Intl Fixed Interest	89.6	[illegible]	[illegible]	—
Global Strtgy	323.6	[illegible]	[illegible]	—
Gold Share	56.3	[illegible]	[illegible]	—
Hedged American	109.5	[illegible]	[illegible]	—
High Inc	204.5	[illegible]	[illegible]	—
Hong Kong	105.9	[illegible]	[illegible]	—
Income	258.0	[illegible]	[illegible]	—
Japan	305.8	[illegible]	[illegible]	—
Oil & Energy	120.0	[illegible]	[illegible]	—
Special Sits	232.8	[illegible]	[illegible]	—
UK Smlr Cos	210.2	[illegible]	[illegible]	—
Man Gth	272.1	[illegible]	+1.8	—
Oppenheimer Funds				
Income & Growth	85.7	90.3	+0.3	—
Worldwide Recovery	107.9	113.6	-0.1	—
American Growth	88.6	93.3	-0.9	—
Japan Growth	93.5	98.5	-0.2	—
European Growth	115.2	121.3	-0.5	—
UK Growth	88.6	93.3	+0.6	—

Scottish Mutual Investments—Contd

	103	108.5		
Property Fund	122	128.5	+0.2	—
UK Equity Fund	136.5	143.7	+0.5	—
UK Smaller Cos. Fund	114.6	120.7	+0.1	—
Pens Safety Fnd.	132.9	139.6	+0.3	—
Pens Growth Fnd	127	141.7	-0.4	—
Pens Opportunity Fnd	106.9	112.6		—
Pens Halifax Fnd	105.9	121.5		—
Pens Cash Fund	176.3	185.6	-2.5	—
Pens European Fnd.	100.3	105.6		—
Pens Gilts/Fxd Int Fnd	98.1	103.3	+0.4	—
Pens Index-linked Fnd	155.7	163.9	-0.9	—
Pens International Fnd	134.5	141.6	-0.5	—
Pens Nth American Fnd	187	196.9	+1.0	—
Pens Pacific Fnd	102.6	300.0		—
Pens Property Fnd	174	123.6	0.1	—
Pens UK Equity Fnd	127.7	133.2	+0.3	—
Pens UK Smlr Co's Fnd				—

Scottish Provident Institution
6 St Andrews Sq, Edinburgh 031-556 9181

Mixed	153.8	162.0	-0.3	—
Equity	165.2	174.0	+0.3	—
International	186.0	195.9	-0.7	—
Property	133.3	158.4	.....	—
Fixed Interest	110.7	116.7	+0.5	—
Index-Linked	99.9	105.3	-0.2	—
Cash	114.7	120.9	.....	—
Pens. Mixed Init.	150.5	158.5	-0.2	—
Do. Ord.	166.1	174.9	-0.2	—
Pens. Equity Init	165.9	174.8	+0.5	—
Do. Ord.	183.2	193.0	+0.6	—
Pens. Intnl. Init.	135.3	143.0	-0.8	—
Do. Ord.	202.2	212.9	-0.8	—
Pens.Property Init.	111.3	117.3	.....	—
Do. Ord.	122.3	128.9	+0.1	—
Pens Fixed Int. Init.	112.3	118.4	+0.3	—
Do. Ord.	123.9	130.5	+0.5	—
Pens.Index-Lkd. Init.	94.0	99.0	-0.3	—
Do. Ord.	103.8	109.4	-0.3	—
Pens. Cash Init.	115.9	122.1	+0.1	—
Do. Ord.	128.1	135.0	+0.1	—

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

Inv Pol 1 Dec 5	472.0	472.0	.....	—
Inv Pol 2 Dec 5	435.9	458.9	.....	—
Inv Pol 3 Dec 5	425.9	448.4	.....	—
Inv Pol Cash Dec 5	181.9	191.6	.....	—
Mixed Fund	241.7	254.5	.....	—
Equity Fund	276.8	291.5	.....	—
Property Fund	142.9	150.5	.....	—
International Fund	260.0	273.8	.....	—
Fixed Int. Fund	177.5	186.9	.....	—
Index Stk. Fd.	113.1	119.1	.....	—
Cash Fd.	134.5	141.6	.....	—
Pens. Mixed Fd. Ord.	290.1	305.5	.....	—
Pens. Equity Fd. Ord.	316.6	333.4	.....	—
Pens. Prop. Fd Ord.	164.0	172.7	.....	—
Pens. Int. Fd. Ord.	318.8	335.7	.....	—

صورة من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

Provincial Trust
90 Ashley Rd, Altrincham, Cheshire 061-928 9011
9½% Int Chq Acc | 10.75 | 8.04 | 11.75 | Mth

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201
Premium Account | 10.37 | 7.75 | 11.24 | Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966
9 I.B.A. | 10.17 | 7.60 | 11.12 | Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241
Demand Acc | 10.79 | 8.07 | 11.71 | Qtr
Money Acc | 10.53 | 7.87 | 11.42 | Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0105 827733
Special Acc | 10.00 | 7.48 | 10.90 | Mth
Over £10,000 | 10.25 | 7.66 | 11.17 | Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 224141
9½% Ing Chq Acc | 11.38 | 8.51 | 12.38 | Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc | 11.25 | 8.41 | 12.23 | Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase, ad as dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	0
Allied-Lyons	27
Amstrad	15
BAT	35
BOC Grp	28
BSR	11
BTR	26
Babcock	16
Barclays	42
Beecham	40
Blue Circle	55
Boots	22
Bowaters	32
Brit Aerospace	42
Brit. Telecom	17
Burton Ord	26
Cadburys	17
Charter Cons	24
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	15
Glaxo	85
Grand Met	40
GUS 'A'	85
Guardian	75
GKN	24
Hanson Tst.	18
Hawker Sidd	42
ICI	75
Jaguar	42
Ladbroke	32
Legal & Gen	28
Lex Service	32
Lloyds Bank	38
Lucas Inds	46
Marks & Spencer	18
Midland Bk	48
Morgan Grenfell	26
NEI	8
Nat West Bk	48
P & O Dfd	45
Plessey	16
Polly Peck	16
Racal Elect	15
RHM	24
Rank Org Ord	45
Reed Intnl	25
STC	15
Sears	12
TI	40
TSB	8
Tesco	36
Thorn EMI	42
Trust Houses	15
Turner Newall	18
Unilever	140
Vickers	36
Wellcome	17
Property	
Brit Land	16
Land Securities	30
MEPC	32
Peachey	24
Oils	
BOM	3½
Brit Petroleum	50
Burmah Oil	32
Charterhall	4
Premier	3½
Shell	65
Tricentrol	8
Ultramar	37
Mines	
Cons Gold	62
Lonrho	22
Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Ministers call time out in EEC farm talks

BY TIM DICKSON IN BRUSSELS

THE EEC's crucial farm talks took a surprising new twist yesterday when the Community's Agriculture Ministers decided to suspend their meeting in Brussels for three days.

Mr Michael Jopling, chairman of the EEC Farm Council, said that he and his colleagues would be back at the negotiating table on Saturday and would then make a determined effort to reach agreement on CAP reform.

In an equally unpredicted move Mr Jopling then departed for Strasbourg, where he will today be hoping to persuade members of the European Parliament that the impetus for change is still alive.

The dramatic break in the talks came after the Ministers decided that further work was needed on new compromise proposals for the beef and dairy sectors put forward jointly by Britain on Tuesday and on new "socio-structural" measures now being suggested by the European Commission. The idea is that these can now be brought together in a co-ordinated package which will form the basis for renewed discussions over the weekend.

The Commission's new ideas on structures emerged late on Tuesday evening—they include payments for farmers who take early retirement or take land out of production and for those who adopt less intensive farming methods—but it was widely

Mr Michael Jopling . . . off to Strasbourg

Most of yesterday was devoted to a series of bilateral sessions between the British Presidency and other member states but there was little sign last night that national positions had changed significantly. There was a feeling among some delegations that the Presidency compromise on beef and dairy was "too British"—notably an idea to abolish the 50 animal limit in the original Commission proposal for premium payments in the beef sector—but Mr Jopling remained adamant that his new ideas could still form the basis for agreement.

These essentially support the Commission's view that milk production must be reduced by 9.5 per cent over the next two years and that a 6 per cent cut should be introduced with effect from the beginning of next April (including the 2 per cent already agreed this year).

Compensation payments would be given in return for quota reductions and some of the Commission's ideas for tightening up the effectiveness of the milk quota system would be significantly modified. On beef, the Presidency supports the Commission's determination to reduce the costs of guaranteed Community purchases but is proposing a more automatic "safety net" when market prices fall below a certain level.

● The Soviet Union may buy 400,000 tonnes of butter from EEC stores at knockdown, according to Commission officials, reports Reuter from Brussels. This would be the largest ever butter sale to the Soviets beating last year's record sale of 200,000 tonnes, on which the Community took a loss of 220m European currency units (£158m).

The officials said the conclusion of the deal depended on progress made by Farm Ministers on curbing the Community's overproduction of milk. They said failure to solve this problem could make the sale to politically controversial.

MEPs threaten to block budget

BY QUENTIN PEEL IN STRASBOURG

THE MOST powerful political groups in the European Parliament are threatening to block approval of next year's EEC budget, after the failure of the Community Agriculture Ministers to agree on substantial reforms of the Common Agricultural Policy.

Last night the Parliament's budget committee was locked in negotiations with the 12 Budget Ministers of the member states, while back in Brussels the Farm Ministers suspended their efforts to agree on plans to cut both milk and beef production.

Behind the battle by the MEPs to add marginal amounts of extra spending to the Ecu 36bn (£26.3bn) budget, however, lies a political move to raise the pressure for agricultural reform.

Christian Democrats, Socialists (the two largest groups) and the Communists in the Parliament, who between them command a clear majority, are threatening either to delay any budget vote, or to vote for extra spending above the legal limit which means that no budget can be finalised for 1987.

If either action takes place today, the EEC will have to begin next year on emergency financing — a system of provisional 12th each month, based on the current year's spending.

The Parliament's budget committee was last night arguing to be allowed a larger margin to add to the non-farm parts of the budget, and in particular to the regional fund. The Budget Ministers had less than a margin of only Ecu 62m (£45m) on payments for 1987, and virtually nothing for longer-term commitments.

The alliance of Socialists and Christian Democrats, from the left and centre-right, could well be enough to vote through amendments to the budget totalling more than Ecu 62m today, making the budget illegal.

They are opposed by the Liberals, the European Democratic Group led by the British Conservatives, and the Gaullist-led European Democratic Alliance, who argue that it is senseless to aggravate the Community's long-term financing problems with an immediate, short-term budget crisis.

The Ecu 36bn budget is actually some Ecu 4bn short of the total estimated to be necessary for next year's spending by the European Commission, which has already promised to deliver a supplementary budget.

The shortfall consists of a deficit for 1986 of more than Ecu 1bn, and extra agriculture needs of more than Ecu 3bn in 1987, because of the need to dispose of food stocks on a glutted world market at depressed dollar-denominated prices.

Canada grants C$1bn farm aid

BY BERNARD SIMON IN TORONTO

THE CANADIAN Government is to pay C$1bn (£510m) in cash to grain and oilseed farmers as a cushion against lower prices caused by the farm subsidy war between the US and European Community.

The authorities say that the payments are not an attempt to compete dollar-for-dollar with US and EEC subsidies, which are estimated to be about four times higher than those available to Canadian farmers.

Mr Charles Mayer, the Wheat Board Minister, said that Canada, which accounted for 4 per cent of world wheat production and 17 per cent of exports in 1985, "will continue to push for a saner agricultural trading environment."

Under the new Special Canadian Grains Programme, 175,000 farmers are expected to receive an average of around C$5,000 each. Payments are limited to a maximum of C$25,000 per farmer. The payments will be made in two tranches, C$300m being sent out immediately and the remaining C$700m next spring.

Canadian grain farmers are having a particularly difficult year. They have harvested a record crop of 52m tonnes, but transport bottlenecks and stiff competition on world markets are likely to result in a large carryover. To make matters worse crop quality is below average. Farmers have been told not to expect a final payment at the end of the season.

Together with Australia and Argentina, Canada sees itself as an innocent victim of the US-EEC subsidy war. But the chief commissioner of the Canadian Wheat Board, Mr Esmond Jarvis, recently told prairie farmers: "We are in this business for the long haul and we are not going to be muscled out by other who only solution to problems is to throw money at them." Canada is the world's second biggest wheat exporter after the US.

Oats market in the limelight

BY DAVID OWEN IN CHICAGO

THE OATS futures market, long the poor relation of the Chicago Board of Trade Agricultural complex, is being subjected to the unaccustomed glare of publicity this week, with the nearby December contract trading at a premium to December maize.

Analysts believe that this is the first time that such a reversal of the traditional price relationship between the two commodities have occurred. Such is the aura of benign neglect habitually surrounding the oats market, however, that nobody quite wanted to state this categorically. "It may have happened once seven years ago," said Geldermann's Mr Sam Alonzi, evidently hedging his bets.

As the market closed on Wednesday, December oats were up 4½c per bushel on the day at $1.67½—a contract high and a comfortable 6½c premium to December maize.

Whereas maize prices have fallen still further in recent days in reaction to the increases International Wheat Council estimate of global wheat production the oats market continues to be buoyed by the low availability of top quality material.

Heavy rain in the Dakotas and Minnesota during the key July harvest period and the poor quality of much of the crop eventually gleaned have combined to exert the squeeze. "A lot of the oats planted this year were not needed because it was seen as more of a cover crop, according to one Chicago based analyst. "Little of this developed into top grade material," he added.

Most expect oats prices to remain strong at least for the next two contract months. "We are looking for $1.68 on the March contract before things start to level off" said Geldermann's Mr Alonzi. "Buying oats and selling maize would be a good spread to play at the moment," he added.

Few anticipate that oat's buoyancy will last into the new crop year, however. Many hard pressed farmers will be encouraged to plant the crop by the market's current performance, most analysts reason—a factor which they expect to swell next year's high grade oats supply.

Opec worries unsettle oil market

BY LUCY KELLAWAY

THE OIL market was thoroughly unsettled yesterday in advance of the Opec meeting in Geneva, which starts today.

Yesterday morning in London prices of Brent crude continued their slow slide of the past few days, with one cargo for delivery in January traded at $14.40 a barrel, about 25 cents below the opening price. Later on in the day, however, prices recovered, taking the lead from New York where the market staged its first small rally for a week. By lunch time, West Texas Intermediate was trading 10 cents higher at $15.10.

Despite the deluge of reports from Opec Ministers already congregated in Geneva, who yesterday were busily forecasting that the oil price will rise in either first quarter of next year to $18 a barrel the market remained worried and uncertain about the probable outcome of the meeting.

Mr Charles Maxwell, of Cyrus J. Lawrence in New York, said that he expected prices to sink by up to $1.50 over Christmas, as Opec adjourned until the beginning of the New Year.

Unless agreement has been reached by December 21 a temporary break will be necessary as the Swiss Government has told Ministers that after that date it cannot offer them security protection.

Mr Maxwell said that the first week would be spent discussing, and eventually abandoning, a return to fixed pricing. In January he thought that an agreement cutting production by 600,000 barrels a day was likely.

Mr Peter Bentel of Elders Futures said that he could not see Opec agreeing to cut production, and that prices were likely by the beginning of next year to remain hovering around $15 a barrel.

Trading in both London and New York is expected to continue at low volume until an agreement is reached. Brokers said yesterday that the big speculators have not been seen in the market for several weeks.

Law change offers lifeline to US farmers

By David Owen in Chicago

AN IMPORTANT addition to the US bankruptcy code aimed at helping some indebted farmers to stay in business, slipped quietly into law last month, while most of those it could benefit—and their lenders—were tucking into their Thanksgiving turkey.

The new provision, Chapter 12 as it will be known, applies only to those who get most of their income from farming. A key section will permit courts to reduce the amount of a farmers' debt secured by collateral (his land) in line with the collateral's current value. The rest of what had been land debt would become part of the farm's unsecured debt.

The farmer would file a repayment plan with the court showing how much of his disposable income would be available for paying debts.

Chapter 12 is viewed as an important measure because many of the worst affected farmers in the current crisis are those who mortgaged themselves to the hilt in order to expand while land values were soaring in the late 1970s. With land and commodity prices alike having since turned sharply downward, these farmers have been left high and dry with unmanageable debt.

Extravagant claims have already been made for the new provision. Some have even proclaimed Chapter 12 the best thing to happen to the US farmer since rural electrification. But few seriously view it as a cure-all for the chronically sick US agricultural sector. "On balance to say that Chapter 12 is the greatest thing to happen to the American farmer for 50 years." According to Mr Richard Stageman, a retired Iowa bankruptcy court judge.

For one thing, Chapter 12 will probably not be of use to the very worst hit farmers, since, while much remains open to interpretation, eligibility to file appears to depend on having sufficient cash flow to handle the resultant restructured debt. While farm commodity prices remain at current depressed levels, even this would be out of reach for many farmers.

"Chapter 12 isn't a panacea for agriculture's woes," says Prof Neil Harl of Iowa State University. "It doesn't create or manufacture cash flow."

What Chapter 12 essentially does is to reallocate the risk attached to fluctuating land prices retrospectively from borrower to lender. As such there are fears that while it may, in the words of Minnesota lawyer, Mr Phil Kunkel, "facilitate reorganisation for some farmers" it may also send some of their less secure lenders to the wall. There are major limitations on many lenders' capacity to absorb debt, according to Mr Weldon Barton, the Washington-based agricultural representative of the Independent Bankers' Association. "We could get a domino effect among the 4,000-5,000 small agricultural banks."

Even if Chapter 12 did not lead to further carnage among rural banks, the feeling is that hard pressed lenders may close ranks and deny future credit to farmers who file for protection under the new provision. "Banks won't lend money to farms who have filed under Chapter 12," suggests Mr Stageman. The realisation among farmers that by filing for protection under Chapter 12 they are effectively depriving themselves of future credit lines could clearly act as a powerful deterrent against use of the new measure.

With high legal and trustee fees likely to provide further discouragement few are anticipating a rush to file for Chapter 12 in the coming months. While it is undoubtedly a very liberal piece of legislation which will help some struggling farmers the weighty arguments against making use of the new provision seem likely to turn it into a measure of last resort.

Where Chapter 12 may ultimately play a more prominent role is in keeping struggling farmers on the land is in out of court debt restructuring negotiation with their lenders.

While farmers themselves may be reluctant to resort to the new provision, banks will evidently be still more reluctant to do so. The threat of Chapter 12 proceeding should therefore supplement the meagre arsenal which the average farmer has at his disposal in debt rescheduling talks, perhaps increasing the average banks' readiness to come to some arrangement.

"Banks will be making arrangements with some marginal people that they would not even have considered 90 days ago," projects Mr Stageman.

"We prefer to work out debt problems in ways all parties can live with, such as partial guarantees that enable lenders to restructure," maintains the IBA's Mr Barton in criticism of Chapter 12's "arbitrary" broad-base approach.

LONDON MARKETS

THE COFFEE market's continued price slide took nearby values to fresh four-month lows yesterday. Although traders remained cautious ahead of today's meeting of the International Coffee Organisation's Executive Board on whether or not to reintroduce export quotas, the market's downward impetus carried the March position down £9 to £1,810 a tonne at one stage. But a firmer than expected opening in the New York market steadied London prices and the March quotation closed at £1,819 a tonne. Today's meeting was triggered when the ICO's 15-day average indicator price fell below 145 cents a lb last week. The reintroduction of quotas under the pact would certainly be bullish for the market but most observers do not believe that such an action will be approved by the meeting. If prices remain at the current level, however, the reintroduction of quotas could be triggered automatically. This would happen if the 15-day average were to fall below 14.55 cents a lb from the current level of 18.48 cents. With the daily indicator price at 131.76 cents the market will have to rally quite considerably to prevent this happening.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	799-800	+2.6	799/758.5
3 months	808.5-9	+1.75	810/803

Official closing (am): Cash 798.5-9 (797-7.5), three months 807.5-8 (806.5-7.5), settlement 799 (797.5). Final Kerb close: 810-11. Turnover: 11,650 tonnes.

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	926.5-7	-4.75	927.5/927
3 months	947.5-8	-3.5	951.5/947

Official closing (am): Cash 927-7.5 (937-8), three months 948.5-9 (955.5-6), settlement 927.5 (938). Final Kerb close: 946-48.5.

Standard			
Cash	893-5		
3 months	894-7	-5	926.5

Official closing (am): Cash 897-8 (905-6), three months 925-6.5 (934-5), settlement 898 (906). US producer prices 68.50-66.50 cents per pound.

Total turnover: 28,575 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	363-4	+6	365/364
3 months	325.5-6	+1.6	326/324.5

Official closing (am): Cash 365-6 (360-1), three months 324.5-5 (325-5.5), settlement 366 (361). Final Kerb close: 325.5-26.

Turnover: 14,675 tonnes. US Spot: 24-28 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2525-30	-9.5	2544/2535
3 months	2586-7	-7	2590/2586

Official closing (am): Cash 2530-3 (2535-40), three months 2585-6 (2585-92), settlement 2533 (2540). Final Kerb close: 2585-90.

Turnover: 2,186 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 16.70 (16.99) ringgit per kg. Down 0.29 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	538-8	-3	541/538
3 months	536-7	+0.75	538.5/533.5

Official closing (am): Cash 538-8.5 (541-2), three months 534-4.5 (535-6), settlement 538.5 (542). Final Kerb close: 535-36.

Turnover: 10,575 tonnes. US Prime Western: 44-47.75 cents per pound.

GOLD

Gold gained $4 to $390¾-391¼ on the London bullion market yesterday. Buying developed in New York after the dollar lost ground in early trading there. Dealers may have also been encouraged to cover short positions ahead of today's Opec meeting, while unrest among workers in South African mines remained a background factor. Gold opened at $387½-388, and was fixed at $387¼ in the morning and $391½ in the afternoon. The metal touched a peak of $392¼-392½ and a low of $386¾-386¾.

GOLD BULLION (fine ounce) Dec. 10		
Close	$390¾-391¼	(£274¼-274¾)
Opening	$387½-388	(£271¾-272¼)
M'n'g fix	$387.25	(£271.597)
Aft'n'n fix	$391.50	(£274.640)

GOLD AND PLATINUM COINS		
Am Eagle	$403-408	(£282¾-286)
Mapleleaf	$402¾-407	(£282½-285½)
Kr'g'r'nd	$385-388	(£270-272)
½ Krug	$199-200	(£136½-140½)
¼ Krug	$101-102	(£70¾-71½)
Angel	$395-399	(£277¼-279¾)
1/10 Angel	$40-45	(£28-31½)
New Sov	$90-93	(£63-65½)
Old Sov	$92½-94	(£64¾-66)
$ 20 Eagle	460-510	(£322½-357¼)
Noble Plat	$494-504	(£346½-353½)

SILVER

Silver was fixed 2.4p an ounce lower for spot delivery in the London bullion market yesterday at 373.35p. US cent equivalents of the fixing levels were: spot 532c, down 3.1c; three-month 539.3c, down 3.2c; six-month 546.9c, down 3.3c; and 12-month 563c, down 2.8c. The metal opened at 374-375½p (533-535c) and closed at 377½-378p (538-540c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	373.35p	-2.40	378p	+5.5
3 months	383.05p	-2.90	388p	+5.25
6 months	393.60p	-2.75	—	—
12 months	414.40p	-2.85	—	—

LME—Turnover: 21 (16) lots of 10,000 oz.

Three months high/low 383.5p; final kerb 387-8p.

INDICES

REUTERS

Dec. 9	Dec. 8	M'th ago	Year ago
1638.2	1638.1	1513.4	1751.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 9	Dec. 8	M'th ago	Year ago
Spot	116.90	117.71	—	121.65
Fut	115.75	117.66	—	125.05

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 10 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1205/225		$1255/255
Copper			
Cash Grade A	£926.75	-4.75	£909.75
3 mths	£947.75	-3.5	£932.75
Gold Troy oz	$391	+4	$405.5
Lead Cash	£363	+6	£368
3 mths	£325.25	+1.5	£320.75
Nickel			
Free Mkt	184/194c		184/194c
Palladium oz	$117.50	-0.5	$127.40
Platinum oz	$480.60	+5.5	$529.00
Quicksilver†	$160/170		$155/170
Silver troy oz	373.35p	-2.40	402.85p
3 mths	383.05p	-2.90	413.70p
Tin			
free Mkt	£4400/520	-20	£4290/520
Tungsten	$47.54		$46.98
Wolfram 22.0lb	$32/42		$32/42
Zinc	£538.5	-3	£575
3 mths	£536.5	-0.75	£560.5
producers	$870		$890
OILS			
Coconut (Phil)	$422.5x	-2.5	$420
Palm Malayan	$280u		$300
Copra (Phil)	$265		$270
Soyabean (U.S.)	$150		$163
GRAINS			
Barley Fut. Mar.	£114.20	+0.50	£111.75
Maize	£144.00	-1	£143.00
Wheat Fut. Mar.	£113.10	-0.10	£110.50
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1458	+5.5	£1520.5
Coffee Ft. Mar.	£1819	-20	£2099
Cotton A Ind.*	58.70c	+0.45	53.00c
Gas Oil Jan.	$123.5	+0.5	$132.5
Rubber (kilo)	63.75p	+0.25	64.75p
Sugar (raw)	$151x	-7	$160.5
Wooltops 64s	425p kilo		421p kilo

In tonnes unless otherwise stated. ‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. u Jan. w Feb.

COFFEE

Persistent trade selling kept values depressed and prevented any attempt by commission houses to bolster prices, reports Drexel Burnham Lambert. With the trade awaiting news from Brazil concerning the 1987 roaster contracts the market remained subdued, trading in light volume.

COFFEE	Yesterday's close	+ or —	Business Done
Jan	1950-53	-26.0	1968-1940
March	1818-20	-20.0	1842-1810
May	1823-25	-20.0	1845-1815
July	1840-50	-16.5	1865-1846
Sept	1860-70	-16.0	1875-1855
Nov	1880-10	-18.5	1905
Jan	1880-10	-7.5	—

Sales: 4,600 (3,698) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for December 9: Comp daily 1979 131.76 (134.09); 15-day average 138.48 (139.46).

COCOA

During another quiet day futures traded over a £14 range and ended on a firmly steady note. Physicals were neglected by both producers and consumers and only light second-hand interest was seen, reports Gill and Duffus.

COCOA	Yesterday's close	+ or —	Business Done
	£ per tonne		
Dec	1393-1394	+6.0	1395-1383
March	1437-1438	+5.5	1440-1426
May	1464-1465	+5.5	1468-1455
July	1486-1488	+5.5	1487-1477
Sept	1511-1513	+6.0	1512-1499
Dec	1535-1541	+5.0	1538-1528
March	1564-1568	+6.0	1566-1560

Sales: 1,886 (3,062) lots of 10 tonnes.

ICCO indicator prices. Daily price for December 10: 88.56 (88.43); five-day average for December 11: 88.94 (88.16) US cents per pound. Daily price 1635.29 (1622.13); 10-day average 1631.90 (1633.72) SDRs per tonne.

POTATOES

The market was again quiet, drifting in thin volume to close near the day's lows, awaiting fresh direction, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	109.00	108.00	—
Apr	159.20	160.00	160.50-159.00
May	177.80	178.60	178.00
Nov	87.50	85.60	—
Feb	97.50	96.60	—

Sales: 230 (563) lots of 40 tonnes.

GRAINS

Old crop wheat trade was again dominated by January/March switching with additional country hedge selling keeping values on the downside. Barley attracted shipper support to cover export commitments, reports T. G. Roddick.

WHEAT Mnth	Yesterday's close	+ or —	BARLEY Yest'rdy's close	+ or —
Jan	109.65	-0.05	111.80	+0.25
Mar	113.10	-0.10	114.20	+0.50
May	115.25	-0.15	115.20	+0.50
July	117.65	-0.10	—	
Sep	101.45	—	100.70	+0.05
Nov	103.65	—	103.60	+0.15
Jan	106.50	—	106.40	+0.10

Business done—Wheat: Jan 110.00-9.65, Mar 113.20-3.00, May 115.35-5.25, July untraded. Sept 101.65-1.45, Nov 103.65, Jan untraded. Sales: 276 lots of 100 tonnes. Barley: Jan 111.80-1.60, Mar 114.20, May untraded, Sept 100.70-0.65, Nov 103.60-3.50, Jan 106.40. Sales: 77 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Jan 106.50, Feb 107.50, Mar 106.25. French 11½-12 per cent Dec 140.50. English feed fob Dec 112.75 paid, Jan 115.00 buyer, Jan/Mar 116.00/116.50, Apr/Jun 119.00/119.50 buyer/seller. Maize: US no 3 yellow/French transhipment east coast Dec 144.00. Barley: English feed fob Dec 110.00/111.25 buyer/seller Peterhead, Jan 114.25 buyer English/Scottish, Jan/Mar 116.25/117.00 buyer/seller English. Jan/Mar 116.50 seller English/Scottish.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne). Feed barley: E Mids 109.80, N East 109.90, Scotland 106.00. The UK monetary coefficient for the week beginning Monday December 15 will remain unchanged.

SOYABEAN MEAL

Prices eased on commercial selling in quiet conditions and light volume, reports Muirpace.

	Y'sterd'ys close	+ or —	Business done
	£ per tonne		
Dec	—	—	127.0
Feb	130.0-130.5	-0.50	130.5
April	130.0-130.5	-0.45	—
June	127.0-127.4	-0.85	127.5
August	128.0-129.5	-0.90	129.5
October	127.0-129.5	-0.50	—
Dec	128.5-130.5	-0.50	—

Sales: 61 (3) lots of 20 tonnes.

US MARKETS

COFFEE FUTURES ended a dull session a net 2.6c higher on the day in the March delivery, with light short-covering, mainly on speculative accounts, putting a halt to the recent slide which had taken the market to new contract lows on Tuesday, reports Heinold. However, the tone remained nervous ahead of the ICO talks, which were widely considered not to yield effective or far-reaching quota results, and subsequently initially rally attempts above 141c were beaten back by cautious commission house operations. Trade support was seen around the day's lows. Trading volume was reported as exceptionally thin. A weaker dollar encouraged a healthy rally in gold prices, with February values escalated at one point to $396.7 before profit-taking pared gains to $391.1 per ounce.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	49.65	49.65	49.65	49.75
Jan	49.95	—	—	50.05
Feb	50.25	—	—	50.30
March	50.70	50.75	50.56	50.50
May	50.60	—	—	50.75
July	51.10	51.10	51.10	51.00
Sept	51.30	—	—	51.20
Dec	51.45	—	—	51.35
Jan	51.65	—	—	51.55
March	51.75	—	—	51.65

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1814	1817	1817	1803
March	1858	1862	1848	1846
May	1883	1886	1872	1868
July	1911	1915	1905	1904
Sept	1931	1935	1930	1924
Dec	1958	1957	1949	1946
March	1973	—	—	1971

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
Dec	139.89	138.75	134.00	135.25
March	140.38	141.90	138.25	137.77
May	141.56	141.75	139.50	139.25
July	142.25	142.25	140.75	140.00
Sept	141.88	143.00	141.00	140.15
Dec	142.25	143.75	142.50	141.00
March	142.80	—	—	143.50
May	142.63	—	—	144.50

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	59.45	59.50	59.40	59.65
Jan	59.40	59.40	59.40	59.60
Feb	59.40	—	—	59.85
March	60.00	60.20	59.50	60.10
May	60.30	60.60	60.00	60.50
July	60.85	61.10	60.50	60.70
Sept	61.05	61.35	61.10	61.00
Dec	61.75	61.75	61.75	61.20
Jan	61.95	—	—	61.60
March	61.95	—	—	62.00
May	62.15	—	—	62.35

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
March	56.80	56.90	56.40	55.87
May	57.60	57.60	56.90	56.28
July	57.80	57.80	56.80	56.28
Oct	57.80	57.80	57.25	56.80
Dec	58.00	58.30	57.80	57.35
March	59.40	59.00	58.00	57.35
May	59.70	59.00	59.00	57.65

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Jan	15.13	15.16	14.92	15.00
Feb	15.25	15.34	15.02	15.10
March	15.25	15.36	15.00	15.16
April	15.28	15.35	15.01	15.09
May	15.30	15.33	15.09	15.09
June	15.30	15.35	15.10	15.09
July	15.28	15.28	15.20	15.09
Aug	15.27	—	—	15.09

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	388.8	390.0	387.0	387.0
Jan	389.8	—	—	388.3
Feb	391.1	396.7	388.9	389.3
April	394.5	—	389.5	393.7
June	397.7	400.0	395.0	396.2
Aug	400.5	400.5	400.0	400.1
Oct	403.3	405.0	403.6	402.1
Dec	406.5	410.5	410.5	404.6
Feb	413.1	414.0	414.0	412.4
April	420.7	422.5	422.6	417.8
Oct	406.1	408.5	406.5	403.2

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Jan	43.50	43.65	42.35	42.94
Feb	43.85	44.15	42.80	43.47
March	42.65	42.80	41.35	42.02
April	41.55	41.70	40.40	40.86
May	40.50	40.60	39.40	39.50
June	40.10	—	—	39.40
July	39.85	—	—	39.55
Aug	40.10	—	—	40.25

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	125.40	125.46	124.05	128.15
March	128.90	127.10	125.75	127.75
May	127.50	128.00	126.80	128.35
July	128.20	128.20	128.00	128.85
Sept	129.05	—	—	128.80
Jan	129.95	—	—	130.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	480.8	—	—	474.9
Jan	482.3	480.0	475.8	476.1
April	486.3	482.9	479.0	479.7
July	489.8	493.5	483.5	483.1
Jan	497.6	498.0	498.0	491.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	537.4	542.5	532.0	532.4
Jan	539.7	538.0	538.0	534.7
Feb	542.3	545.0	545.0	537.3
March	545.0	551.0	540.0	540.0
May	550.4	558.0	546.0	545.3
July	556.0	560.0	555.0	550.8
Sept	561.5	—	—	556.4
Dec	570.0	575.0	567.0	564.2
Jan	573.1	—	—	567.8
March	578.9	—	—	573.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	5.90	5.86	5.80	5.88
March	6.57	6.62	6.54	6.51
May	6.75	6.80	6.73	6.73
July	6.88	6.81	6.86	6.87
Sept	6.93	—	—	6.92
Oct	7.08	7.12	7.05	7.04
Jan	7.16	—	—	7.14

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	60.25	60.65	60.20	60.47
Feb	56.85	57.32	56.77	57.06
April	57.02	57.55	56.95	57.22
June	56.37	56.75	56.30	56.56
August	55.35	55.70	55.35	55.60

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	56.00	56.15	55.50	56.47
Feb	52.25	52.45	51.87	51.87
April	46.50	47.00	46.45	46.40
June	47.00	48.70	46.20	48.27
July	42.15	42.17	41.80	42.12
August	45.40	45.15	44.90	45.05
Oct	41.35	41.80	41.20	41.62
Dec	42.16	42.16	42.15	42.20

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	161.4	162.6	160.4	162.0
March	171.4	171.0	169.4	170.2
May	177.0	177.0	176.4	178.2
July	179.6	179.6	178.2	178.2
Sept	181.6	181.2	180.4	181.0
Dec	185.0	185.0	183.2	183.6
March	192.0	192.0	190.4	191.2

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	72.35	72.90	71.90	72.20
March	70.80	71.25	70.30	71.30
May	70.47	70.60	69.80	70.02
July	68.57	68.17	69.00	68.85
August	66.00	66.05	65.65	66.07

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	493.4	494.0	491.2	491.6
March	496.2	496.4	495.4	496.2
May	502.6	502.4	—	500.2
July	505.0	505.0	502.2	502.2
August	504.4	504.4	501.4	501.4
Sept	497.0	497.2	496.0	496.0
Nov	496.2	496.6	494.6	495.4
Jan	506.4	506.4	503.0	503.6

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	145.5	145.7	145.0	145.5
Jan	145.5	145.9	144.9	145.4
March	145.4	145.6	145.0	145.6
May	145.8	145.8	145.4	145.6
July	146.3	147.0	146.2	146.8
August	146.6	146.9	146.5	146.7
Sept	146.1	147.0	146.6	147.2
Oct	147.2	147.3	147.0	147.3
Dec	148.1	148.5	148.1	148.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.16	15.24	14.92	14.87
Jan	15.36	15.36	15.06	15.06
March	15.67	15.68	15.35	15.27
May	15.87	15.90	15.60	15.52
July	16.09	16.16	15.86	15.77
August	16.11	16.15	15.90	15.80
Sept	16.12	16.12	15.95	15.82
Oct	16.05	16.05	16.00	15.75
Dec	16.25	16.25	16.00	15.76
Jan	16.25	15.90	15.90	15.72

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	279.6	282.6	278.4	279.0
March	278.4	279.4	277.6	277.8
May	264.5	266.4	264.4	265.4
July	245.6	247.2	244.6	246.6
Sept	247.2	248.4	247.0	248.2
Dec	252.4	—	—	253.4

SPOT PRICES—Chicago loose lard 14.00 (13.50) cents per pound. Handy and Harman silver bullion 537.0 (534.0) cents per troy ounce.

OIL

In sparse trade on the eve of the Opec meeting Brent weakened by around 20c during the morning but recovered in the afternoon. January WTI opened 8c down on Nymex but traded 9c up by 1.30 pm EST. In the petroleum products markets all products were quiet and stable awaiting today's Opec meeting—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Jan.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.60-13.75	-0.125
Brent Blend	14.60-14.65	—
W.T.I. (1pm est)	15.05-15.10	+0.10
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

Petroleum Argus estimates

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	140-144	—
Gas Oil	116-119	—
Heavy fuel oil	75-76	—
Naphtha	119-121	—

RUBBER

PHYSICALS — The London market opened steadier, attracted little interest at the higher levels and closed quiet and uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 63.75p (63.50p); Jan 61.75p (61.50p); Feb 62.00p (61.75p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 216 (same) and SMR 195 (193).

FUTURES—Index 663, Jan 657-667, Jan-March 662-672, April-June 672-682, July-Sept 678-683. Sales: Nil.

GAS OIL FUTURES

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Dec	116.00	-0.50	117.50-16.25
Jan	123.50	+0.50	124.50-23.50
Feb	126.75	+0.50	127.50-24.25
Mar	126.76	+0.75	126.50-22.75
Apr	120.66	-1.50	120.50
May	119.00	-0.75	—

Turnover: 5,296 (5,272) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Dec	—	—	—
Jan	77.00	+9.00	77.00-73.50
Feb	74.00	-1.25	74.00

Turnover: 14 (40) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.90p per kg lw (+3.40)

GB—Sheep 216.76p per kg est dcw (+15.21). GB—Pigs 75.62p per kg lw (+1.53). GB—AAPP 98.93p per kg dw (−0.51).

SUGAR

No. 6 Contract	Yest'rdy close	Previous close	Business done
	$ per tonne		
Mar	147.4-147.8	146.8-147.0	148.4-147.0
May	151.4-151.8	150.8-151.0	152.0-151.0
Aug	154.4-155.6	153.0-154.6	158.2-155.8
Oct	158.2-158.4	157.0-130.8	158.8-157.8
Dec	161.8-162.4	161.8-165.0	162.4 —
Mar	171.2-172.6	165.0-168.0	—
May	174.0-177.6	168.0-175.0	—

LONDON DAILY PRICE—Raw sugar $151.00 (£106.00), down $7.00 (down £5.00) a tonne for December/January delivery. White sugar $177.50, down $4.50.

The market tested the underlying support area at $147.00, basis March, which arrested the decline, reports C. Czarnikow.

Sales: 2,598 (4,032) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £209.00 (£214.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for December 9: Daily price 5.78 (6.16); 15-day average 5.96 (5.97).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	680/690	685/680	677/680
April	717	717/707	705/705
July	624/626	692/615	615/616
Oct.	724	725/715	712/716
Jan.	720	—	715/716
Apr.	740/800	—	740/760
July	660/710	—	660/685
Oct.	890	—	820
BFI.	708	—	709

Turnover: 210 (96).

Welsh harbour to be developed

ABERYSTWYTH harbour is to be dredged and reclaimed in a £10m redevelopment plan, the details of which have been announced by the Mid Wales Development Authority.

The project will include a marina with berths for 200 boats and a tourist centre including shops, workshops, restaurants, houses and flats.

The scheme is being undertaken in conjunction with Ceredigion council and the Wales Tourist Board, which hopes to include a hotel in the development.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound falls with dollar

THE DOLLAR failed to break through technical resistance at around DM 2.0230, and drifted lower in very thin end of year trading. The market has now entered a period when little movement unless there is a dramatic development in the scandal involving sales of US arms to Iran. Dealers were looking for a possible move up to another resistance level of DM 2.0270, but after the announcement of a record third quarter US balance of payments deficit of $37.67bn the dollar lost its early gains and fell back. The balance of payments deficit represented historical figures and was not a surprise to the market, but was enough to undermine sentiment, taking the dollar down to DM 2.0105 from DM 2.0190; to FFr 6.59 from FFr 6.6125; and to SFr 1.6815 from SFr 1.69. On the other hand the US currency remained steady at Y162.65 compared with Y162.60.

On Bank of England figures the dollar's index fell to 110.8 from 111.2

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3780. November averaged 1.4250. Exchange rate index fell 0.1 to 68.2, compared with 75.9 six months ago.

Sterling moved in line with the dollar, losing ground after a firm start. The Harris opinion poll, showing the Conservatives in a 6 point lead over the Labour Party offset any nervousness ahead of today's meeting of ministers from the Organisation of Petroleum Exporting Countries. This encouraged early gains against Continental currencies, before the pound retreated with the dollar in the afternoon.

Sterling gained ¼ cent to $1.4250-1.4260, but fell to DM 2.8650 from DM 2.8725; to FFr 9.3950 from FFr 9.4150; and to SFr 2.3975 from SFr 2.4050, but rose to Y231.75 from Y231.25.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9660. November average 2.0227. Exchange rate index 142.8 against 135.1 six months ago.

There was nothing to change the present market view that the dollar is likely to remain in a range of DM2.00 to DM2.05 ahead of the year-end. Trading was dull and featureless, with many banks restricting their business to deals on behalf of corporate customers. The US currency failed to break through upper resistance levels and fell back during the afternoon. It closed at DM2.0105, compared with DM2.0195 on Tuesday. At the Frankfurt fixing the Bundesbank did not intervene when the dollar rose to DM2.0200 from DM2.0100. Sterling was firm, rising to DM2.8770 at the fixing from DM2.8600, while the French franc rose to DM30.505 per 100 francs from DM30.495, but still appeared to be under some pressure after the student riots in Paris earlier this week.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. November average 162.77. Exchange rate index 205.1 against 205.7 six months ago.

The yen showed little change against the dollar in very quiet Tokyo trading. The US currency finished at Y162.70, compared with Y162.40 on Tuesday. Lack of news and a declining number of traders left in the market in the run up to the year-end led to a very dull day. To some extent attention turned to the cross rate between the yen and the D-mark, as the West German currency continued to lose ground. This was partly the result of D-mark sales to cover short dollar positions, driving the D-mark down to Y80.55 at the Tokyo close from Y80.85, and from above Y82 last week. The general trend led to speculation that the German currency could soon fall to Y79, in a move to correct the recent upward surge by the D-mark at a time when the yen has been held in check by the pact between Japan and the US.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3352	+0.51	+1.10	±1.5368
Danish Krone	7.81701	7.86718	+0.64	+1.23	±1.6403
German D-Mark	2.11083	2.08317	−1.31	−0.72	±1.1127
French Franc	6.87316	6.82802	−0.66	−0.07	±1.3659
Dutch Guilder	2.37833	2.35505	−0.98	−0.59	±1.5059
Irish Punt	0.764976	0.764583	−0.05	+0.54	±1.6683
Italian Lira	1476.95	1442.70	−2.32	−2.02	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Dec. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4220-1.4270	1.4250-1.4260	0.58-0.55c pm	4.76	1.77-1.75 pm	4.94
Canada	1.9600-1.9665	1.9640-1.9650	0.46-0.37c pm	2.53	1.43-1.32 pm	2.80
Netherlands	3.23-3.25½	3.23-3.24	1⅜-1¼c pm	4.87	4¼-4pm	5.10
Belgium	59.55-59.92	59.55-59.65	20-16c pm	3.62	56-48pm	3.49
Denmark	10.80½-10.87½	10.80½-10.81½	1¼-½ ore pm	0.97	3¼-2½ pm	1.06
Ireland	1.0487-1.0578	1.0505-1.0515	0.20-0.32p dis	−2.97	0.95-0.90 dis	−2.76
W. Germany	2.86-2.88	2.86-2.87	1½-1⅜ pf pm	6.02	4½-4¼ pm	6.11
Portugal	212.11-213.75	212.15-212.95	85-125 c dis	−5.93	210-330 dis	−5.08
Spain	193.09-194.45	193.10-193.40	15-31 c dis	−1.43	25-70 dis	−0.98
Italy	1982-1999½	1984½-1985½	par-3 lire dis	−0.91	1 pm-3 dis	−0.20
Norway	10.73¾-10.77¾	10.73¾-10.74¾	7⅞-8⅞ ore dis	−8.94	18¼-19⅛ dis	−6.96
France	9.38-9.44½	9.39-9.40	1⅝-1¼ c pm	1.84	4¼-3⅞ pm	1.62
Sweden	9.89-9.93½	9.89¾-9.90¾	1¼-⅝ ore pm	1.06	3⅞-3¼ pm	1.34
Japan	231½-232¼	231¾-232¾	1½-1⅜ y pm	6.47	4-3¾ pm	6.69
Austria	20.15-20.25	20.15-20.18	9¼-7⅞ gro pm	5.10	28¼-22⅞ pm	4.98
Switzerland	2.39¾-2.41	2.39¾-2.40¾	1⅜-1¼ c pm	6.57	4½-4 pm	6.78

Belgian rate is for convertible francs. Financial franc 59.90-60.00. Six-month forward dollar 3.60-3.55 c pm. 12-month 6.80-6.70 c pm

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Dec. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4220-1.4270	1.4250-1.4260	0.58-0.55c pm	4.76	1.77-1.75 pm	4.94
Ireland†	1.3465-1.3565	1.3545-1.3555	0.85-0.75c pm	7.11	2.55-2.30 pm	7.19
Canada	1.3767-1.3795	1.3785-1.3795	0.24-0.27c dis	−2.22	0.72-0.77 dis	−2.16
Netherlands	2.2680-2.2850	2.2695-2.2705	0.03-0.01c pm	0.11	0.09-0.06 pm	0.13
Belgium	41.75-42.05	41.75-41.85	3-5c dis	−1.14	14-18 dis	−1.52
Denmark	7.58-7.64	7.58-7.58½	1.70-2.30ore dis	−3.15	6.05-6.65 dis	−3.33
W. Germany	2.0065-2.0230	2.0100-2.0110	0.20-0.18pf pm	1.13	0.58-0.56 pm	1.13
Portugal	149-150	149-149¼	120-145c dis	−10.62	340-420 dis	−10.15
Spain	135.35-136.39	135.50-135.60	65-75c dis	−6.17	190-220 dis	−6.02
Italy	1389½-1401	1392¼-1392¾	6-7lire dis	−5.57	17½-19 dis	−5.21
Norway	7.52¾-7.60	7.53-7.53½	7.80-8.60ore dis	−13.03	21.10-21.90dis	−11.39
France	6.57½-6.62¼	6.58¾-6.59¼	1.50-1.70c dis	−2.90	5.50-5.90 dis	−3.44
Sweden	6.93-6.93¾	6.94-6.94½	2.00-2.20 ore dis	−3.62	6.10-6.40 dis	−3.59
Japan	162.60-163.00	162.60-162.70	0.26-0.23y pm	1.81	0.72-0.67 pm	1.71
Austria	14.12-14.22	14.14½-14.15	0.80-0.20gro pm	0.42	2.50-0.50 pm	0.42
Switzerland	1.6795-1.6920	1.6810-1.6820	0.27-0.22c pm	1.74	0.78-0.73 pm	1.79

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.00-42.10.

EURO-CURRENCY INTEREST RATES

Dec. 10	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11-11⅛	11-11⅛	11⅛-11¼	11⅜-11½	11⅛-11¾	11⅜-11½
U.S. Dollar	5⅞-6⅛	6-6⅛	6⅛-6¼	6⅛-6¼	6-6⅛	6-6⅛
Can. Dollar	7¾-8⅛	7¾-8⅛	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜	8¼-8½

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Gilt prices little changed

GILT PRICES showed little overall change in the London International Financial Futures Exchange yesterday. Trading volume was still quite respectable however but in the absence of any retail interest contracts tended to stay with the primary dealers and locals in what one dealer described as a type of pass the parcel. Traders were looking for some inspiration from sterling's performance against the D-Mark or movement in the US bond market and a firmer opening reflected sterling's rally overnight.

The March price opened at 108-23 up from 108-14 but met technical resistance just below the 109-00 level, peaking at 108-30. The lack of follow through saw values retreat to a low of 108-10, the fall being accelerated by sterling's weaker close against the D-Mark. The price finished just off the day's low at 108-12.

Three-month sterling deposits traded in a five tick range in rather quiet trading. Proximity of Christmas and the New Year was steadily taking its toll on the amount of participation and with cash rates virtually unchanged so the March price closed at 88.68 compared with 88.66 on Tuesday.

US Treasury bonds opened at 99-04 for March delivery and traded between 99-06 and 99-02 for much of the morning. Prices touched 99-00 just before the start of trading in Chicago and with US traders' efforts to push prices firmer meeting with little success, so values slipped away to a low of 98-28. Once again however the lack of impetus to break out of recent trading ranges saw selling dry up around this level and the contract recovered to finish at 99-12, unchanged from Tuesday's close.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	8.31	8.62	0.07	0.32
102	6.41	7.21	0.17	0.55
104	4.60	5.53	0.36	1.23
106	3.30	4.32	1.06	2.02
108	2.18	3.25	1.50	2.59
110	1.26	2.30	3.02	4.00
112	0.51	1.48	4.27	5.18
114	0.27	1.12	6.03	6.46

Estimated volume total, Calls 502 Puts 307
Previous day's open int. Calls 10,512 Puts 4,859

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	9.29	8.62	0.05	0.34
92	7.36	7.21	0.12	0.57
94	5.52	5.53	0.28	1.25
96	4.15	4.34	0.55	2.06
98	2.59	3.27	1.35	2.63
100	1.57	2.32	2.33	4.04
102	1.09	1.50	3.49	5.22
104	0.41	1.15	5.17	6.51

Estimated volume total, Calls 13 Puts 35
Previous day's open int. Calls 808 Puts 395

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Jan.	Puts—Last Dec.	Puts—Last Jan.
15500	8.71	—	0.01	—
15750	6.26	9.37	0.06	0.37
16000	3.98	7.24	0.28	0.74
16250	2.11	5.35	0.91	1.35
16500	0.89	3.76	2.19	2.26
16750	0.28	2.49	4.08	3.49
17000	0.06	1.56	6.36	5.06
17250	0.01	0.92	8.81	6.92

Estimated volume total, Calls 20, Puts 0
Previous day's open int. Calls 588, Puts 388

LIFFE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

Rates stall on lack of incentive

INTEREST RATES were mostly unchanged in London yesterday. Proximity of Christmas and the year end and sterling's steady performance meant that there was little incentive to move rates ahead of the New Year. Three-month interbank money was quoted at 11⅛-11⅞ per cent unchanged from Tuesday while overnight money touched a high of 11½ per cent after opening at 11¼-11 per cent. Later in the day rates fell to 9 per cent but finished bid at around 10½ per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £650m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £581m and the unwinding of previous sale and repurchase agreements a further £112m. In addition banks brought forward balances £80m below target and there was a rise in the note circulation of £170m. These were partly offset by Exchequer transactions which added £285m.

The forecast was revised to a shortage of around £800m and the Bank gave assistance of £296m through outright purchases of £48m of eligible bank bills in band 1 at 10⅞ per cent, £4m in band 2 at 10⅞ per cent and £45m in band 3 at 10¾ per cent. In band 4 it bought £1m of Treasury bills, £2m of local authority bills and £197m of eligible bank bills all at 10⅞ per cent.

Once again the forecast was revised, this time to a shortage of around £750m, before taking into account the early help and the Bank gave additional assistance in the afternoon of £261m through outright purchases of £135m of eligible bank bills in band 1 at 10⅞ per cent, £14m in band 2 at 10⅞ per cent, £34m in band 3 at 10¾ per cent and £78m in band 4 at 10⅞ per cent. Late assistance came to £225m, making a total of £784m.

In Frankfurt call money was quoted at 4.8-5.0 per cent down from 5.5 per cent on Tuesday. This was in response to the latest sale and repurchase agreement organised by the Bundesbank, with successful applicants receiving a total of DM 12.4bn yesterday compared with a maturing facility of DM 8.1bn. The relief was seen by some as only temporary however and there was a feeling that the authorities may have to extend further credit in order to overcome the seasonal shortage of funds.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102⅔	100⅙	Exch. 13¼pc 1987	100⅙	–⅛	15.23	10.88
100⅞	97⅞	Treas 10¼pcCv '87	99⅜	–⅛	10.27	10.95
98	92	Exch 2½pc 1987	98¼	+⅛	2.54	9.10
101⅞	97½	Exch. 10½pc 1987	99⅞	+⅛	10.52	11.05
98¼	93⅞	Funding 6½pc 85-87	98¼	+⅛	6.58	9.86
101⅝	96	Treas. 10pc 1987	99½xd	+⅛	10.05	11.08
97	90⅞	Treas 3pc 1987	96⅞xd	+⅛	3.09	8.45
104½	99⅞	Treas. 12pc 1987	100⅛		11.93	11.26
99¼	92	Treas 7¾pc 1985-88‡‡	97	+⅛	7.98	10.51
104	96⅜	Exch 10½pc '88	99⅛	+⅛	10.60	11.26
102⅝	95⅛	Treas 9¾pc Cv '88	97⅞xd	+⅛	9.96	11.29
94¼	86⅝	Transport 3pc '78-88	92½xd	+⅛	3.24	8.26
102½	93	Treas. 9½pc '88	97		9.79	11.29
107	90	Treas 11½pc 1989	100	+⅛	11.48	11.35
103½	93⅛	Treas 9½pc Cnv 1989	96	+⅛	9.87	11.32
92⅞	82	Treas 3pc 1989	88	+⅛	3.39	8.30
105	95	Treas 10½pc 1989	98¼xd	+⅛	10.69	11.33
104	94⅛	Exch 10pc 1989	96	+⅛	10.32	11.36
107	97	Exch 11pc 1989	99¼	+⅛	11.08	11.29
93	84½	Treas 5pc 1986-89	89	–⅛	5.61	9.46
110	94⅝	Exch 10¼pcCv '89	100	+⅛	10.22	10.11
114	103	Treas 13pc 1990‡‡	104xd	+⅛	12.46	11.33
108¼	97⅛	Exch 11pc 1990‡‡	99⅛	+⅛	11.10	11.29
113¼	101	Exch. 12½pc 1990	103	+⅛	12.11	11.30
89¼	79⅞	Treas. 3pc 1990	84		3.57	8.48
100	89⅝	Treas 8¼pc 1987-90‡‡	93xd		8.87	10.70
106	93	Treas. 10pcCv 1990	95	+⅛	10.43	11.32
86	76½	Exch 2½pc 1990	[illegible]	+¼	3.09	8.27
112	99	Treas 11¾pc 1991	101½xd	–⅛	11.58	10.30

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

مكتبة من الأصل

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	Mintec 10p	80	+2	L2.46	2.6	4.3	12.4
78½	45	Mitchell Cotts	66		1.5	2.1	3.2	17.0
128	81	Molins & Cuzoe 10p	122	+2	12.7	2.9	3.1	14.8
323	210	Morgan Crucible	306	–3	18.5	1.5	3.9	20.5
23½	15½	Morris/W.E.A. 20p	16½	+1	—	—	—	—
157	65	Moran Grp 10p	148	+1	t2.63	2.6	2.5	19.1
345	230	MW Computers	251	+1	6.0	3.0	3.7	13.3
131	27	Nash Inds	128	+5	†0.5	—	0.5	—
*27½	12½	Neil & Spencer 10p	13½	+½	—	—	—	—
39	28	Newmans Inds 15p	36		10.8	1.3	3.1	(27.5)
134	65	Noble & Lund 10p	84		0.7	4.3	1.2	27.7
65	39	Nolton	47		1.2	2.9	3.6	13.5
130	96	Norank Systems 5p	126	–3	ut1.5	—	1.7	16.2
286	187	Norcros	249	–6	t9.3	2.3	3.5	11.3
195	49	Nu-Swift 5p	195		73.5	2.1	2.3	26.2
£336½	£228	OCE 9pc Cnv 1987-92	£322½		09%	—	(2.8)	—
118	80	Oxford Grp	88		t5.0	1.3	‡	12.2
250	173	Office & Elect	176	+2	8.5	2.9	6.8	7.2
54	26	Omnitech 1p	30		—	—	—	—
36	18	Optometrics $0.01	20		—	—	—	—
890	500	Oxflame £1	865		t24.5	2.3	4.0	16.8
10	5	Overstone 12½p	7		403.234	1.9	14.5	3.7
142	85	PCT Grp 10p	113		43.2	—	5.8	—
£20⅞	£13⅞	PLM "B" Sk 25	£14⅞		023.2%	0.3	4.1	—
195	114	PSM Intl	193		1445.5	2.3	4.1	14.4
255	100	Placer Systems $0.01	175	+5	1403.842	3.4	1.5	19.5
70	46	Pacific Sales 10p	50	+4	3.0	1.4	8.5	11.9
445	246	Parker Knoll 'A'	424	+2	12.8	3.2	4.1	10.9
222	83	Parkfield Group 2p	196		5.6	4.2	2.6	12.5
53	17	Paxman Intl	21	+1	—	—	—	5.6
£130	£64½	Do. 11pc Cnv Ln '96-02	£78		011%	—	(14.7)	—
608	395	Pearson	566	–9	710.8	2.8	2.3	18.4
30	12	Peek Holdings 5p	37	+1	—	—	—	—
176	88	Peerless	265	–3	6.5	1.5	5.4	(14.0)
519	141½	Pentland 10p	490		†0.75	22.4	0.2	27.8
£14	775	Photo-Me	£13⅓		5.75	10.0	0.6	20.5

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
300	135	Cons. Murch. 10c	£2		Q60c	4.4	9.3
44	24	‡Ennex Int. Ir10p	40		—	—	—
160	70	Greenwich Res	160	+2	—	—	—
157	93	Hampton Areas 10p	146		φ1.0	—	1.0
327	165	♥Highwood Res	227	+2	—	—	—
£20⅛	£13½	Homestake Mining $1	£18⅛	–⅛	Q20c	—	0.8
310	156	♥McFinley Red Lake	191		—	—	—
285	144	♥Musto Explorations	178	–16	—	—	—
51	28	♥New Sabina Res C$1	40		—	—	—
353	200	Northgate C$1	306		—	—	—
790	513	RTZ	662	+4	22.5	2.4	4.6
£164	£115	Do. 9½pcLn '95-2000	£138¾	+½	Q9½%	15.5	7.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- sl Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ● Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1995. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	60		Fin. 13% 97/02	£99⅝	
Craig & Rose £1	£15		Arnotts	360	
Finlay Pkg. 5p	46	–1	CPI Hldgs.	48	
Holt (Jos) 25p	010		Carroll Inds.	141	
IoM Stm. £1	75		Dublin Gas	10	
			Hall (R. & H.)	95	
IRISH			Heton Hldgs.	30	
Fund 11¼% 1988	£97¼	+¼	Irish Ropes	140	
Nat. 9¾% 84/89	£91¾		Unidare	260	

"Recent Issues" and "Rights" Page 42
(International Edition Page 44)

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5
Dec 22	Jan 8	Jan 9	Jan 19

* New time dealings may take place from 9.00 am two business days earlier.

Mercury International deal features equity sector as Gilt-edged lose early gains

The UK stock market reverted to n more normal trading pottern yesterday as turnover in British Gas receded and investors turned their attentions to a batch of corporate and speculative developments. The blue chip issues took their lead from nil stocks, which drifted easier ahead nf today's (Thursday) meeting in Geneva of the OPEC ministers.

After drifting on the downside throughout the session, equities steadied at the close. The FT-SE 100 index shed 1.3 to 1,634.6 and the FT Ordinary added 1.1 to 1,285.5.

British Gas ended ½p down at 61p, on turnover of 200m shares, barely one third of the total on the stock's first day. The shares are now expected to remain quiet until next week when the private investors, holders of 64 per cent nf the shares sold, will receive their allotment letters and become able to trade the stock in the market.

The surprise of the day came when the Canadian National Railway Company paid a handsome price for the 15 per cent stake to Mercury International, n major London investment banking group recently acquired by Mr Saul Steinberg's Reliance Insurance.

The Mercury stake was bought "for investment only," at 455p, substantially above the market level. The stock quickly dropped to the 370p range as traders interpreted the move as a "white knight counter," which sees off the unwelcome attentions of Mr Steinberg towards Mercury.

Suggestions that another Loudoo marketmaker was in the bid arena were dismissed after Mr Tony Lewis, chairman of Smith New Court, firmly rejected press reports Hongkong & Shanghai Bank had made n merger approach for Smith.

Both Thorn EMI and Guinness were in demand in the wake of their respective trading reports. Beecham edged higher as the asset disposal programme continned. Trafalgar House shaded lower after announcing the £74m purchase of e housebuilding firm, paid for with a share placing.

Gilt-edged stocks opened ½ higher, encouraged at first by a firm pound. But this brought buyers in for the most recent taplet stock (8½ per cent of '07), which was sooo bought out. Thereafter, prices lost their shine and there were only small scattered gains oo record by the close. The FT Government Securities index added 0.11 to 81.64.

Mercury Int fall

Mercury International, the UK merchant banking conglomerate made up of S. G. Warburg, stockbrokers Rowe and Pitman and Mullens aod market makers, Akroyd and Smithers, plummeted to 370p before closing 28 down on balance at 375p nn the surprise announcement that US arbitrageur Mr Saul Steinberg's Reliance Insurance Co had sold its 15 per cent stake in MI to the Canadian Natiooal Railway Cnmpany, trustees for the Canadian Natiooal Railway Company, trustees for the Canadian National Railway Pensinn Trust Fund for 455p per share. The Pension Fund stated that its purchase is for investment purposes nnly and that it has nn peresent intentinn to increase its participatinn. Standard Chartered, meanwhile, revived strongly and jumped 11 to 805p, after 612p, amid reports that Mr Robert Hnlmes à Conrt had bought Mr Tan Sri Khoo Tech Puat's 6.28 per cent stake in Standard. Elsewhere, the clearers again gave a bright performance helped by reports nf brokers' favourable circulars recommending the sector ahead nf the interim dividednd seasons which is scheduled to commence early next year. NatWest were particularly active with well over 2½m shares changing hands and the close was 8 higher at 508p. Lloyds pnt nn 4 at 446p and Barclays added 3 at 493p.

Royals continued firmly, rising 9 afresh nt 862p, while Commercial Union added 3½ at 271½p.

Guinness hardened the turn to 288p as some 2.5m shares changed hands; preliminary profits at the top-end of estimates generally failed to impress a market still nervous over the current Department nf Trade investigation. Greenall Whitley improved 7 more to 185p reflecting recovery prospects in the wake nf last Monday's half-timer. Elsewhere in Regionals, Belhaven, marked down to 69p in immediate reactinn to the proposed £13.4m rights issue, staged n useful rally and settled only 2 lower on balnnce at 72p. Cautinus comment after the annual results clipped 6 more from J. A. Devenish at 197p, but persistent takeover chatter prompted fresh support for Buckleys, finally 3 dearer at 156p. Wines and Spirits bighlighted Irish Distillers which advanced 14 to 203p in e lively business following the excellaot preliminary figures.

McCarthy and Stone featured the Building sector, rising 58 to 300p in response to the excellent annual results and confideot statemeot. Raine Industries attracted renewed demand nn expansion hopes and gained 5½ to 81½p, while Tilbury Group, mentioned as a possible Raine takeover target, firmed 4 to 202p. Persimmon added 5 to 246p to belated response to Press commeot, while Travis and Arnold added a penny to 231p nn talk that an unnamed party had acquired a stake of aroond 5 per cent in the company. Further speculative buying in a restricted market boosted USM-quoted United Ceramics 10 to 123p, e gain of 33 in the last three trading sessions. Johnstone Paints firmed 6 to 106p, while Nottingham Brick, awaiting oews of the Steetley merger talks, hardened 5 more to 295p. In Timbers, profit-taking in the wake of the interim results left Meyer International 8 cbeaper at 285p. Magnet and Southerns softeoed 2 to 258p.

Among Chemicals, Laporte rose 9 to 412p following a broker's recommendatinn, while BTP added 4 to 155p in reply to the good interim results.

Superdrug wanted

Supedrug provided a rare firm feature among otherwise lncklustre Retailers, rising 15 to 460p io anticipation of good third-quarter figures next Thursday. Easier values prevailed elsewhere, bowever, as sentiment was unsettled by cautious comment. Losses of around 4 were common to Storehouse, 280p, W. H. Smith A, 29?p, Dixons, 324p, and Burton, 262p. GUS A dipped a fraction to £10⅞ ahead of today's half-timer. Mail-orders were also marked lower with Next 6 off at 224p, and Empire 4 cheaper at 172p. Albion put on 3 to 50p in response to the increased full-year profits and dividend.

The chairman's optimistic remarks about second-half prospects overrode the disappointing interim profits and helped Thorn EMI move up 7 at 484p. GEC hardened a penny more at 172p on bopes that the group's Nimrod system will win the Government contract ahead of the American Boeing AWAC system; the decision is to be announced next Thursday. STC attracted revived speculative support and closed 2 better at 170p while Racal hardened a penny at 179p. British Telecom held steady at 201p, up a penny, awaiting today's interim results. Elsewhere in Electricals, Quest Automation added 12 at 77p and Sound Diffusion firmed 4 at 53p following revived speculative support. MK, however, gave up 6 at 376p and Oxford Instruments ran into renewed selling and lost 21 to 399p.

Trading statements brought contrasting Engineering movemeots. Booth Industries responded to the first-half return to profitability with a rise of 15 to 150p, but Tex dropped 16 to 115p on disappointing toterim figures. Awaiting today's annual results, Whessoe advanced 8 to 100p, while Weir gained 7 to 118p following a report of Chinese orders. Speculative demand forced Downiebrae up sharply by 15 to 67p. Other firm spots took in United Spring, at 88p, and Birmid Qualcast, similarly dearer at 138½p, but Stothert and Pitt lost favour at 68p, down 8.

Noteworthy movements in the Food sector were few, but Bernard Matthews attracted support and rose 7 to 275p, while Nichols (Vimto) firmed 5 to 215p. On the other hand, E. T. Sutherland shed 7 to 61p owing to lack of support.

Press comment suggesting that a consortium bid for the company is on the way stimulated Grand Metropolitan which closed 9 higher at 458p as some 9.1m shares changed hands. Stakis settled 4 cheaper at 72p, after 70p, following the annual results.

Equipu soar on bid

Equipu highlighted the miscellaneous industrial sector, jumping 59 to 262p in response to the agreed bid from Sketchley. Elsewhere, Pilkington advanced 8 afresh to 628p, after 630p, following publication of the company's defence document in its battle to stave off the hostile offer from BTR, 1½ easier at 272½p. Press comment on the group's US expansion plans left Blue Arrow 4 higher at 382p, while Alexander Russel moved up 4 at 88p following the sharply higher first-half profits. J. S. Pathology gained 25 to 485p after Press comment and Airsprung firmed 6 at 101p nn the interim figures. Trafalgar House gave np 4 at 260p to the wake of a vendor placing by stockbrokers Messel of 30.28m shares at 274p per share to help finance the £74m acquisition of Broseley Estates and Fred Powell from GRE, 2 dearer at 786p. Charter Consolidated declined 15 at 293p following profit-taking in the wake of the interim results. Pearson reflected fading takeover hopes with a fall of 9 at 566p.

A report updating Chinese interest in both the group's in-flight and remotely piloted vehicle systems encouraged a flurry of support for FR Group. The company meanwhile entertained analysts from Laurence Prust yesterday, a fact which failed to escape the market, and FR shares performed strongly to close a net 23 up at 324p. Motor Distributors also continued to attract attention but recent favourite Caffyns gave way to profit-taking and fell to 230p before settling only 3 off at 235p. Fresh demand in a limited market took Western Motor 12 higher to 180p, while Appleyard picked up 5 at 161p to front nf the disclosure that T. Cowie has increased its stake to 10.37 per cent. Vehicle manufacturers were generally subdued with the exception of Reliant which encountered further small buying and gained 4 more to 23p.

Annual profits slightly below the more optimistic market forecasts caused Associated Paper to ease 5 to 250p, despite the chairman's encouraging view of current trading. DRG were fairly active and 8 firmer at 297p but features elsewhere in the Paper/Printing sector were few.

Property leaders gave another steady performance. Elsewhere, Great Portland Estates revived strongly as bid rumours resurfaced and the price gained 8 to 210p. News that London and Edinburgh Trust had acquired a 5 per cent stake to the company excited Trafford Park Estates which jumped 19 to 275p, while old takeover favourite Marler Estates edged up 5 to 595p. Gilbert House nttracted support at 80p, up 4. Towngrade shed 3 to 33p following the poor annual results

Selected Textiles were popular and moved to oew peaks for tha year including Lister, up 7 at 141p and Lamont, 5 dearer at 203p. Revived speculative interest also took Dura Mill to a 1986 high of 70p, up 5, while Allied regained the fall wbicb followed Monday's recommended bid for Bulmer and Lumb, to close 5 better at 295p; Bulmer and Lumb remained at 136p.

Japanese-oriantated stocks figured prominently among Investment Trusts with rises ranging to 10. Fleming Japanese rose that much to 748p, while GT Japan moved up 7 to 236p and Baillie Gifford Japan gained 8 to 386p. Renewed buying in a restricted market pushed Harvey and Thompson up 15 to 315p.

IC Gas fall

News that Gulf Resources' bid for the company had been referred to the Monopolies Commission prompted a sharp fall in IC Gas which reacted to 488p before steadying on the company's proposed move to split up its oil and gas interests to close a net 16 down at 529p.

The oil majors traded cautiously awaiting the start of the latest OPEC meeting. Shell, in which some 10m shares changed hands, settled 5 cheaper at 944p, while British Petroleum, 4.7m traded, finished a similar amount down at 675p.

Golds give ground

Dealers continued to report merely minimal enthusiasm for South African Golds as operators in international markets again appeared content to square existing positions and withdraw to the sidelines ahead of the Christmas festivities.

Despite a firmer showing by bullion, finally $4 up on balance at $391 an ounce, the absence of concerted interest from either Johannesburg or the Continent coupled with the pound's former performance against the dollar resulted in modest losses across the Gold share board in sterling terms. Top-quality counters showed falls of around ¾ in Western Deep, £27⅝, Randfontein, £61, and Southvaal, £29. The more marginal stocks behaved in similar fashion with Doornfontein 47 cheaper at 789p and Freegold 20 off at 776p. The FT Gold Mines index, calculated in sterling, dipped 7.4 to 312.6.

London-domiciled Financials remained a shade firmer for choice. Consolidated Gold Fields, aided by a likely traded option turnover, advanced 8 more to 671p. RTZ hardened n few pence to 662p, while Greenwich Resources, again in receipt of "call" option activity, put on 2 to 160p.

Widespread profit-taking in overnight Sydney and Melbourne stifled demand for "down-under" stocks in London. Golds went lower under the lead of Central Norseman, 20 down at 613p, while Sons of Gwalia, 353p, and Gold Mines of Kalgoorlie, 678p, eased 7 and 5 respectively. Leading diversified issues retained e generally steady appearance, although CRA provided an exception and dipped 9 to 323p.

Traded Options

Demand for Traded Options remained at a relatively buoyant level, despite the subdoed conditions in the underlying securities. Much of the session's business was again attributable to market newcomer British Gas which attracted 18,811 calls and 8,177 puts. Elsewhere, operators displayed renewed enthusiasm for Hanson Trust which recorded 1,687 calls and 546 puts, and for Trafalgar House with 1,371 calls and 1,251 puts done. Sizeable hedging was evident for current takeover candidates Consolidated Gold Fields and Grand Metropolitan which attracted 1,648 and 1,313 calls respectively. Guinness contributed 1,752 calls and 513 puts following the full-year figures. Total contracts transacted amounted to 49,688.

Traditional Options

- **First dealings** Dec 1 Dec 15 Jan 5
- **Last dealings** Dec 12 Jan 2 Jan 16
- **Last declaration** Mar 5 Mar 19 Apr 2
- **For Settlement** Mar 16 Mar 30 Apr 13

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Chloride, Amstrad, Systems Designers, Tesco, Sovereign Oil and Gas, Leisuretime International, London Securities, Foseco, Gibbs and Dandy, Brake Brothers, Marks and Spencer, Abaco, Greenwich Resources, Chrysalis, Woodhouse and Rixson, Elswick, Spong, Tricentrol, British Gas, United Scientific, Egerton, Peek, Sound Diffusion, Bristol Channel Ship Repairers, TSB, British Car Auction, GEC, Property and Reversionary, Cluff, C. H. Bailey, A. F. Bulgin A, Reabrook and Afro-West. Puts were struck in First Charlotte Assets Trust, Sound Diffusion, Redfearn National Glass and H. Young, while doubte options were taken out in Next, Amstrad, Sovereign Oil and Gas, Templeton Galbraith and Leisuretime International.

FINANCIAL TIMES STOCK INDICES

	Dec. 10	Dec. 9	Dec. 8	Dec. 5	Dec. 4	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	81.64	81.53	81.34	81.64	81.21	82.74	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.64	88.55	88.45	88.49	88.43	88.62	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,285.5	1,284.4	1,275.5	1,268.5	1,265.9	1,103.7	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	312.6	320.0	324.4	326.3	331.8	267.7	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.46	4.46	4.46	4.49	4.49	4.50				
Earnings Yld.%(full)	10.49	10.50	10.46	10.49	10.50	11.15				
P/E Ratio (net) (*)	11.71	11.70	11.69	11.62	11.66	11.06				
SEAQ Bargains (5pm)	31,309	36,432	33,250	29,142	24,916	—				
Equity Turnover (£m)	—	1,451.88	1,162.22	1,346.71	—	517.37				
Equity Bargains	—	56,819	49,802	41,749	—	21,311				
Shares Traded (ml)	—	757.1	666.6	504.8	—	249.6				

S.E. ACTIVITY

Indices	Dec. 9	Dec. 8
Gilt Edged Bargains	104.8	102.2
Equity Bargains	368.2	368.2
Equity Value	2934.6	2934.6
5-Day Average		
Gilt Edged Bargains	120.4	123.3
Equity Bargains	289.8	267.9
Equity Value	2520.3	2295.79

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1283.2	1282.5	1280.8	1281.8	1283.1	1282.3	1282.4	1283.0

Day's High 1285.6. Day's Low 1280.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.26.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (107)

BANKS (3), BUILDINGS (4), CHEMICALS (3), STORES (3), ELECTRICALS (4), ENGINEERING (9), INDUSTRIALS (14), INSURANCE (1), LEISURE (2), MOTORS (1), PAPER (5), PROPERTY (7), TEXTILES (5), TRUSTS (42), OVERSEAS TRADERS (1), MINES (3).

NEW LOWS (8)

FOREIGN BONDS (1) Hydro Quebec 15pc 2011, BUILDINGS (1) Henderson Group, FOODS (1) Creswick Mill, INDUSTRIALS (3) Pacific Sales, Sidlaw Group, TSL Thermal Syndicate, LEISURE (1) Television Services, PAPERS (1) Fitch.

London Traded Options were not available for this edition.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6.00pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	434	150	—	Land Securities	214	345	—
Allied Lyons	472	307	+1	Legal & Gen.	726	247	—
BAT	1,200	464	−2	Lloyds Bnk.	1,400	447	+5
BOC	3,700	349	−3	Lonrho	234	228½	+½
BTR	4,900	274	—	Marks & Spncr	2,600	183	−2
Barclays	858	493	+3	Midland Bank	1,400	563	—
Bass	20	727	—	NatWest Bank	2,700	508	+8
Beecham	2,600	425	+2	Pearson	274	566	−9
Blue Circle	1,100	647	−1	P & O	458	502	−1
Boots	3,100	232	—	Pilkington Bros	4,600	628	+8
Brit. Aero	998	488	—	Plessey	2,000	178	−2
Brit. Gas	199,000	61	−½	Prudential	135	828	−1
Britoil	1,600	149	−1½	Racal	2,100	179	+1
BP	5,600	675	−7	Rank Org	153	524	−1
Brit. Telecom	4,700	201	+1	Reckitt & Col	75	798	+1
Burton	1,500	262	−4	Reuters	343	577	−3
Cable & Wire	1,600	323	−1	RTZ	292	662	+4
Cadbury Schwps.	789	184	−1	Rowntree Mac	942	410	−2
Coats Viyella	647	464	+10	Royal Insurance	3,300	860	+7
Comm. Union	1,600	271	+3	STC	1,700	171	+3
Cons. Gold	1,200	671	+6	Sainsbury	69	415	−1
Courtaulds	564	312	—	Sears	493	123½	−½
Dee Corp	961	209	−1	Sedgwick	402	324	−1
Dixons Grp	2,900	324	−6	Shell Trans	11,000	944	−5
Fisons	1,400	519	−9	Smith & Nephew	423	115½	−½
Gen. Accident	566	828	−6	Standard Chart	292	805	+11
Gen. Elect	7,900	172	+1	Storehouse	711	280	−5
Glaxo	2,900	948	+3	Sun Alliance	456	660	—
Grand Met.	9,100	458	+9	TSB	4,300	76	[illegible]
GUS "A"	966	£10⅞	−⅛	Tesco	547	399	−1
Guardian R.E.	195	784	[illegible]	Thorn EMI	2,300	484	+7
GKN	707	272	[illegible]	Trafalgar House	1,200	260	−4
Guinness	2,500	288	+1	T'house Forte	358	181	[illegible]
Hanson Trust	4,900	191½	—	Unilever	65	£21⅜	−⅛
Hawker Sidd	450	442	−1	United Biscuits	840	236	—
ICI	1,300	£11¼	−⅛	Wellcome	372	215	−1
Jaguar	1,200	529	+1	Woolworth	335	650	—
Ladbroke	49	357	−1				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	4	7
Corporations, Dominion and Foreign Bonds	14	4	51
Industrials	402	462	670
Financial and Properties	160	140	283
Oils	9	37	66
Plantations	3	2	9
Mines	20	61	104
Others	37	90	70
Totals	747	800	1,260

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Tues Dec 9 Index No.	Mon Dec 8 Index No.	Fri Dec 5 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (210)	681.80	+0.3	9.14	3.83	13.85	17.01	679.30	673.70	672.90	563.77
2 Building Materials (27)	848.23	—	8.87	3.63	14.19	18.98	847.78	846.37	845.42	617.07
3 Contracting, Construction (29)	1155.91	+0.9	8.12	4.00	16.73	32.81	1145.41	1144.64	1147.83	914.09
4 Electricals (12)	1738.19	+0.6	6.68	4.85	14.80	56.02	1749.69	1727.74	1717.50	1598.65
5 Electronics (38)	1469.75	+0.7	9.82	2.80	13.50	30.56	1460.19	1431.64	1429.18	1424.44
6 Mechanical Engineering (61)	384.66	+0.2	10.26	4.33	12.40	11.18	383.70	382.13	381.48	318.46
8 Metals and Metal Forming (7)	350.85	+0.5	10.10	4.21	12.25	10.25	349.10	348.87	348.19	232.48
9 Motors (15)	268.62	+0.2	10.32	3.91	11.17	6.73	268.02	267.20	267.32	196.54
10 Other Industrial Materials (21)	1186.92	−0.3	7.41	4.63	15.99	30.57	1190.33	1177.70	1175.98	989.28
21 CONSUMER GROUP (186)	933.09	−0.2	8.27	3.39	15.18	21.04	934.67	930.71	925.21	752.99
22 Brewers and Distillers (22)	927.99	+0.7	9.76	3.58	12.60	17.52	921.69	922.41	923.82	752.53
25 Food Manufacturing (24)	739.16	−0.3	9.28	3.81	13.06	19.22	741.41	738.42	734.70	555.95
26 Food Retailing (16)	1850.51	−0.2	6.89	2.88	20.12	35.41	1853.36	1850.96	1843.35	1728.84
27 Health and Household Products (10)	1527.92	—	6.22	2.48	18.65	26.13	1527.63	1505.27	1485.50	1209.76
29 Leisure (29)	971.53	—	7.42	4.17	17.84	26.00	971.52	979.30	971.93	758.84
31 Publishing & Printing (14)	2689.45	−0.2	7.25	4.24	17.00	77.81	2694.90	2668.13	2658.32	1811.71
32 Packaging and Paper (14)	490.51	−0.1	7.09	3.39	18.27	11.74	491.47	489.61	486.24	366.42
34 Stores (38)	829.05	−0.9	7.67	3.23	17.35	17.41	836.98	837.11	825.88	753.74
35 Textiles (17)	542.05	+0.9	9.85	3.77	11.60	14.49	537.30	531.76	534.23	376.92
36 Tobaccos (2)	1298.22	−0.4	12.77	3.98	8.60	36.99	1303.51	1287.24	1278.90	875.38
39 OTHER GROUPS (86)	804.53	—	8.73	4.06	14.66	17.73	804.63	797.53	792.24	711.50
41 Chemicals (20)	1019.64	−0.3	8.71	4.50	13.98	29.59	1022.95	1018.73	1010.09	730.17
42 Office Equipment (4)	256.60	−0.1	7.24	4.15	16.70	7.55	256.89	254.60	254.04	217.40
45 Shipping and Transport (12)	1534.55	+0.1	7.81	4.54	16.33	46.25	1533.50	1534.27	1533.54	1317.66
47 Telephone Networks (2)	803.58	+0.5	10.82	4.40	12.58	16.67	800.97	788.55	782.06	893.54
48 Miscellaneous (48)	1113.31	−0.1	7.00	3.20	17.61	27.30	1114.79	1106.24	1100.15	873.91
49 INDUSTRIAL GROUP (482)	843.25	—	8.60	3.66	14.71	19.42	843.48	838.15	833.56	700.17
51 Oil & Gas (18)	1418.94	−0.7	12.00	6.38	10.55	62.91	1429.55	1434.56	1403.41	1084.60
59 500 SHARE INDEX (500)	891.78	−0.1	9.08	4.85	13.59	22.85	892.93	888.53	881.60	733.46
61 FINANCIAL GROUP (118)	610.74	+0.2	—	4.67	—	18.93	609.62	602.13	601.21	505.83
62 Banks (8)	666.48	+0.8	18.88	5.51	7.27	26.78	661.31	647.18	648.98	504.46
65 Insurance (Life) (9)	844.48	−0.2	—	4.60	—	27.29	865.98	858.76	856.77	773.00
66 Insurance (Composite) (7)	463.72	+0.2	—	4.64	—	15.57	462.59	453.05	449.00	388.73
67 Insurance (Brokers) (9)	1177.91	−0.5	8.00	4.49	16.30	26.30	1177.62	1174.89	1166.15	1156.24
68 Merchant Banks (11)	338.53	−1.3	—	3.71	—	7.35	343.11	343.55	345.19	282.20
69 Property (50)	811.77	—	5.73	3.56	22.65	19.48	812.16	809.95	807.36	667.44
70 Other Financial (24)	365.03	+0.3	8.82	4.34	13.85	9.81	364.02	362.56	362.58	299.97
71 Investment Trusts (98)	859.94	—	—	2.66	—	16.23	859.96	858.61	849.50	632.94
81 Mining Finance (2)	330.05	+0.7	9.48	4.86	12.40	11.30	327.68	326.06	324.90	242.87
91 Overseas Traders (13)	746.14	+0.1	10.76	5.99	11.21	24.77	745.46	744.85	747.73	585.50
99 ALL-SHARE INDEX (731)	816.36	−0.1	—	4.11	—	21.52	816.87	812.06	806.52	667.71

	Index No.	Day's Change	Day's High	Day's Low	Dec 9	Dec 8	Dec 5	Dec 4	Dec 3	Year ago
FT-SE 100 SHARE INDEX ♦	1634.6	−1.3	1634.6	1630.4	1635.9	1623.4	1613.5	1610.3	[illegible]	1577.40

FIXED INTEREST

PRICE INDICES	Weds Dec 10	Day's change %	Tues Dec 9	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	118.75	+0.06	118.67	—	11.00
2 5-15 years	128.88	+0.16	128.67	—	12.12
3 Over 15 years	134.08	+0.17	133.85	—	11.89
4 Irredeemables	145.89	+0.56	145.08	—	13.57
5 All stocks	127.46	+0.13	127.29	—	11.84
Index-Linked					
6 5 years	115.23	+0.14	115.07	—	2.00
7 Over 5 years	112.02	+0.52	111.45	—	2.84
8 All stocks	112.51	+0.45	112.01	—	2.69
9 Debentures & Loans	109.46	+0.33	109.10	—	11.72
10 Preference	78.77	+0.10	78.69	—	6.36

AVERAGE GROSS REDEMPTION YIELDS		Weds Dec 10	Tues Dec 9	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.93	9.94	10.22
2	15 years	10.59	10.62	10.35
3	25 years	10.59	10.63	10.36
4 Medium Coupons	5 years	11.33	11.34	11.21
5	15 years	10.96	10.98	10.71
6	25 years	10.60	10.63	10.32
7 High Coupons	5 years	11.39	11.43	11.21
8	15 years	11.15	11.17	10.85
9	25 years	10.68	10.70	10.50
10 Irredeemables		10.31	10.37	9.82
Index-Linked				
11 Inflat'n rate 5%	5 yrs	3.76	3.83	0.0
12 Inflat'n rate 5%	Over 5 yrs	3.77	3.80	0.0
13 Inflat'n rate 10%	5 yrs	2.34	2.41	0.0
14 Inflat'n rate 10%	Over 5 yrs	3.61	3.64	0.0
15 Debs & Loans	5 years	11.83	11.89	11.47
16	15 years	11.77	11.78	11.50
17	25 years	11.71	11.78	11.40
18 Preference		[illegible]	[illegible]	[illegible]

♦Opening index 1633.1; 10 am 1632.2; 11 am 1630.7; Noon 1631.5; 1 pm 1632.1; 2 pm 1631.8; 3 pm 1632.2; 3.30 pm 1632.8; 4 pm 1633.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW CONSTITUENT: British Gas (51). The above indices have been calculated inserting British Gas at its fully-paid price (135p). Had the first quotation (67p) been used the values of the three indices affected would have been lower by the percentages indicated. Group (51) 1.98%, (59) 0.31% and (99) 0.24%

CONSTITUENT CHANGE: AE (9) has been deleted.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
Prices at 2.30pm December 10

MONTREAL
Closing prices December 9

Indices

TORONTO	Dec 10	Dec 9	Dec 8	Dec 5	1986 High	1986 Low
Metals & Minls	1,967.8	*1,978.26	2,007.4	2,053.51	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,033.8	*3,038.0	3,052.8	3,067.1	3,129.11 (18/4)	2,764.2 (17/2)
MONTREAL Portfolio	528.46*	1,532.84	1,540.3	1,546.5	1,623.33 (18/4)	1,388.6 (22/1)

* indicates pre-close figure

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 47

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Appley	161	+ 5
Booth Inds.	150	+15
DRG	298	+ 6
Downiebrae	67	+15
Dura Mill	70	+5
Equipu	262	+59
FR Group	324	+23
GT Japan Inv.	237	+6
Grand Met.	458	+9
Great Port. Ests.	210	+6
Irish Distill.	203	+14
J.S. Path.	485	+25
Lister	141	+7
McCarthy & St.	300	+58
NatWest Bank	508	+6
Pilkington Bros.	628	+8
Raine Inds.	81½	+5½
Standard Chart.	805	+11
Superdrug	460	+15
Thorn EMI	484	+7
Traf. Park Ests.	275	+19
Weir Group	118	+7
Western Motor	100	+12
Whessoe	180	+6

FALLS		
Assoc Paper	250	– 5
Charter Cons.	293	–15
GUS A	£10⅛	–½
Imp. Cont. Gas	528	–14
Mercury Intl.	371	–32
Stothert & Pitt	68	– 5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	16¼	AAR s	.44	1.8	19	589	24⅞	24½	24⅞	+⅜
30	21¾	ADT	.92	3.5		494	26¼	26⅛	26⅛	−⅛
33	15¾	AFG 5	.12t	.4	15	846	29¾	29	29¾	+½
28	16¾	AGS			19	125	28½	27¾	27⅞	
15	7⅜	AMCA				28	7½	7⅜	7⅜	
62⅞	39¼	AMR			13	3982	56¾	55¾	56¼	+⅜
24¾	20¼	ANR pf	2.12	8.7		6	24¼	24	24¼	+¼
16¾	16	ARX	.71t	6.2	11	65	11¾	11⅛	11⅜	−¼
41½	28¾	ASA	2a	5.5		413	36⅛	35⅛	36½	+⅜
18⅜	9¾	AVX		2.8		45	12⅜	12¼	12⅜	+⅛
32	25¾	AZP	2.72	9.4	9	1514	28⅛	28¾	28⅞	
55	30⅛	AbtLb s	.84	1.7	22	3536	49⅜	48¾	49⅛	+⅛
32	24½	AccoWd	.56	2.1	17	54	26⅞	26¾	26¾	−⅛
14⅞	6	AcmeC	.40	4.6		73	10⅜	16	10⅛	−⅜
9¼	6⅛	AcmeE	.32b	5.1	16	16	6¼	6¼	6¼	−⅛
23⅞	17½	AdaEx	4.45e	22.		92	20¾	20⅝	20⅝	⅛
33⅝	19⅝	AdmMl	.48	1.7	13	477	28½	27¾	28	−⅛
20⅜	12⅝	AdvSys	.48t	3.1	15	348	16	17¾	16	
32⅞	12⅞	AMD				1839	15⅜	14⅞	15	−⅛
12⅝	5¼	Adobe				32	5⅞	5¾	5¾	
16⅜	13¾	Adob pf	1.84	11.		4	16¾	16⅜	16⅜	+¼
20¼	16⅜	Adob pf	2.40	14.		19	17¾	17½	17½	−¼
16⅝	10½	Advest	.12a	.9	16	38	13⅜	13¼	13⅜	−⅛
66¼	50¼	AetnLf	2.64	4.4	6	5129	59⅝	32⅛	59⅝	+⅛
54⅝	51⅛	AetL pf	3.94e	7.8		866	52	51½	51¾	
131½	87¼	AetL pfC	5.95e	6.6		140	89½	89½	89½	
71½	34⅞	AfilPb s	.44	.8	34	221	70⅝	69⅞	70⅛	−⅛
28¾	14⅛	Ahmans	.48	2.6	7	2250	23	22⅜	22¾	+⅜

[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
6^{1}_{4}	2	WrldAr			2	28	4^{1}_{8}	4^{1}_{8}	4^{1}_{8}	
19^{3}_{4}	16^{1}_{4}	WrldVl n				121	18^{5}_{8}	d15^{3}_{8}	16	$-\frac{1}{2}$
52	27^{1}_{2}	Wrigly s .96		1.9	21	142	51^{1}_{8}	50^{1}_{2}	51	$-\frac{1}{4}$
4^{1}_{8}	1^{3}_{8}	Wurlitz				21	2^{1}_{4}	2^{1}_{8}	2^{1}_{8}	$-\frac{1}{8}$
17^{1}_{2}	11	WyleLb .32		2.4	28	534	14	13^{1}_{4}	13^{1}_{4}	$-\frac{1}{2}$
25^{3}_{4}	15	Wynns .60		2.7		20	21^{1}_{8}	21^{5}_{8}	21^{1}_{8}	$+\frac{1}{4}$
		X Y Z								
72^{1}_{4}	48^{5}_{8}	Xerox	3	4.9	13	3085	62	61^{1}_{8}	61^{5}_{8}	$+\frac{1}{4}$
58^{1}_{4}	54	Xerox pf5.45		9.9		41	56^{1}_{2}	55^{1}_{4}	55^{1}_{4}	$-\frac{1}{4}$
28^{3}_{4}	20^{3}_{4}	XTRA .64		2.7		133	24^{1}_{2}	24	24	$-\frac{1}{8}$
18^{1}_{4}	13^{1}_{2}	Yorkln n				112	17	18^{1}_{2}	18^{1}_{8}	$+\frac{1}{8}$
49^{7}_{8}	28^{1}_{2}	ZaleCp 1.40		2.8		950	u50	49^{5}_{8}	50	$+\frac{1}{4}$
39^{7}_{8}	22^{1}_{2}	Zale pfA .80		2.0		4	39^{1}_{2}	39^{1}_{2}	39^{1}_{2}	
8^{1}_{8}	2^{1}_{4}	Zapata .03j				88	2^{3}_{4}	2^{5}_{8}	2^{5}_{8}	$-\frac{1}{8}$
43^{7}_{8}	20^{3}_{4}	Zayre s .32		1.3	15	2627	25^{7}_{8}	25^{1}_{8}	25^{1}_{2}	$+\frac{3}{8}$
17	9^{3}_{4}	Zemex .40		3.1	28	28	13	12^{5}_{8}	13	$+\frac{1}{8}$
29^{7}_{8}	17^{1}_{8}	ZenithE				1281	21	20^{1}_{4}	20^{3}_{4}	$+\frac{1}{8}$
18^{3}_{4}	8	ZenLb s			88	1090	10^{1}_{8}	9^{3}_{4}	10	
22^{3}_{8}	12^{5}_{8}	Zero s .20		1.9	18	243	15^{3}_{8}	15	15^{1}_{4}	$+\frac{1}{4}$
45^{3}_{4}	32^{3}_{4}	Zurnin 1.32		3.1	17	139	42^{1}_{2}	42	42^{1}_{8}	$+\frac{1}{8}$
10^{5}_{8}	9^{1}_{8}	Zweig n				827	9^{1}_{4}	d 9	9	$-\frac{1}{8}$

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Brighter tone devoid of conviction

A MODEST upturn in prices and volume brought a firmer tone to Wall Street yesterday but the pick up lacked breadth and conviction, *writes Roderick Oram in New York.*

Bond prices similarly edged higher as markets waited for details of Treasury financings and November's retail sales.

At the close the Dow Jones industrial average was up 16.03 at 1,932.93.

Among blue chips, Boeing was ahead $1¼ to $51⅞, Coca-Cola edged up $⅛ to $38⅝. Dow Chemical was unchanged at $60¼, ITT slipped $⅛ to $53⅜, General Motors gained $⅝ to $70⅞ and Philip Morris advanced $⅝ to $74⅞.

Retail stores turned sharply lower after Mr Daniel Barry, an analyst with Kidder Peabody, recommended selling the shares of many major companies in the sector. He said slow Christmas sales to date will mean that even a spurt later could not make the season as profitable as widely expected on Wall Street. Looking further ahead, he forecasts a number of negative factors including weaker consumer spending and some adverse effects of the tax reform bill.

Among store shares, Sears Roebuck fell $⅜ to $42, J. C. Penney declined $2⅝ to $78⅜, K mart lost $⅜ to $47½, Federated Department Stores was down $2 to $86⅝, May Department Stores lost $⅝ to $37⅞ and Woolworth fell $1 to $41⅛.

Carter Hawley Hale, the stores group which has just fought off a hostile bid from The Limited and Mr Edward De Bartolo, gained a further $⅛ to $48⅜. General Cinema rose $2⅛ to $47⅞ on reports that it planned to use its controlling stake in the specialty stores to be spun off by Carter Hawley to diversify into retailing.

Borg-Warner gained $1⅛ to $38⅝. An investment group led by Mr Irwin Jacobs said it will ask for clearance under anti-trust rules to raise its stake in the industrial company to "at least 50 per cent" from 7.7 per cent. It had earlier offered to buy the whole company for between $43 an $48 a share.

Lear Siegler fell $2⅛ to $81¼. Wickes, down $⅛ to $3⅞, said it was dropping its agreed bid for Lear because it could not raise sufficient finance. An investment group led by AFG Industries, off $⅛ at $29, had said earlier it would reactivate its bid for Lear if Wickes dropped out.

Weyerhaeuser, the forest products company, adopted a shareholders rights plan to help protect itself against hostile takeovers. Its shares were unchanged at $39⅝.

Chevron, up $⅝ to $46, said it would take a $320m charge in the fourth quarter. Exxon, up $⅝ to $70, said it would report a $246m gain in the period from the sale of its New York headquarters to a Japanese group. Among other oils, Texaco eased $⅛ to $37⅛ and Mobil edged up $⅛ to $39.

USX, up $⅛ to $21⅞, said a number of foreign and domestic oil companies, including British Petroleum, had discussed buying its oil and gas assets. Standard Oil, BP's US subsidiary, jumped $1⅛ to $48⅞.

Ocean Drilling fell $⅛ to $11⅛. It announced a $203m net charge in the fourth quarter. Net profits in the first nine months were $42.1m on revenues of $293.2m. Community Psychiatric Centers declined $1⅛ to $28⅝. The company, which runs hospitals for acute psychiatric cases, is in the process of turning itself into a master limited partnership. Mr Peter Sidoti of Drexel Burnham Lambert believes the change could prompt funds run for non-profit organisations to sell their shares to avoid tax reporting complications.

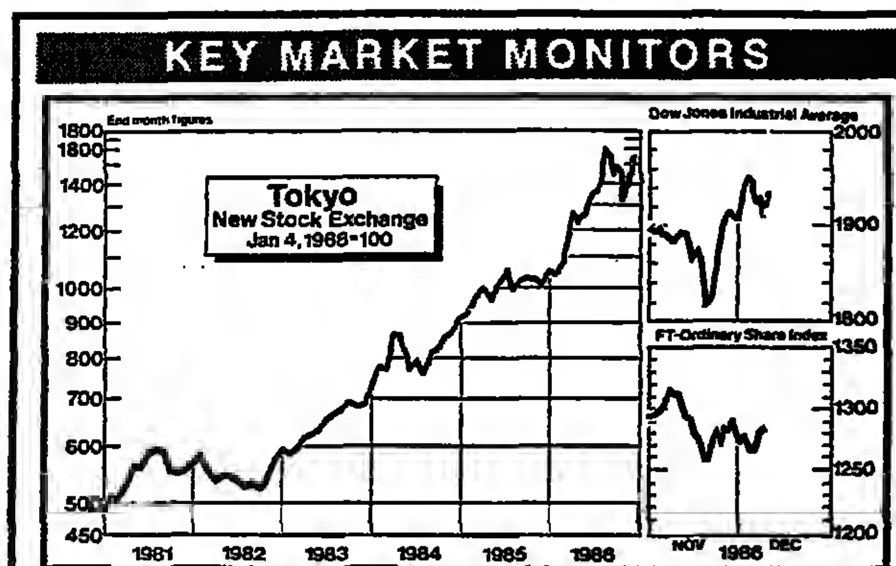
Credit markets were quiet for the second day as they waited for November's retail sales figures which are due for release today. Monthly trade figures had already prepared the market for the record quarterly deficit reported yesterday.

Government bond prices edged higher with the 7.5 per cent Treasury benchmark long bond gaining ⅜ of a point to 102⅜ at which it yielded 7.31 per cent.

Treasury bills were unchanged with three and six-month bills at 5.46 per cent and one-year bills at 5.49 per cent.

The Treasury was due to announce yesterday afternoon partial details of its December financings. Markets were expecting a two-year note volume of around $10.25bn and four-year of $7.75bn. Next week the volume of the seven-year notes, which will be priced after Christmas, will be announced. Volume of about $7.25bn is forecast. The traditionally heavy end of year has lightened considerably with the end of 20-year financings.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 10	Previous	Year ago
NEW YORK			
DJ Industrials	1,935.74*	1,916.90	1,499.20
DJ Transport	847.22*	841.48	703.77
DJ Utilities	212.40*	211.31	166.19
S&P Composite	251.23*	249.28	226.86
LONDON			
FT Ord	1,285.5	1,284.4	1,103.7
FT-SE 100	1,634.6	1,635.9	1,389.5
FT-A All-share	816.36	816.67	667.71
FT-A 500	891.78	892.93	733.46
FT Gold mines	312.6	320.0	257.7
FT-A Long gilt	10.68	10.70	10.48
TOKYO			
Nikkei	18,676.18	18,602.7	12,850.9
Tokyo SE	1,553.54	1,547.13	1,018.43
AUSTRALIA			
All Ord.	1,431.0	1,440.3	980.8
Metals & Mins.	682.5	691.4	479.0
AUSTRIA			
Credit Aktien	235.61	235.76	231.89
BELGIUM			
Belgian SE	4,129.26	4,131.69	2,875.91
CANADA			
Toronto			
Metals & Mins	1,967.8 *	1,978.20	2,020
Composite	3,033.9 *	2,938.00	2,858.7
Montreal			
Portfolio	1,529.48*	1,532.04	139.71
DENMARK			
SE	—	197.83	235.46
FRANCE			
CAC Gen	410.0	407.90	247.8
Ind. Tendance	163.40	162.10	93.1
WEST GERMANY			
FAZ-Aktien	682.47	684.62	589.10
Commerzbank	2,061.70	2,063.60	1,739.10
HONG KONG			
Hang Seng	2,442.59	2,440.35	1,728.29
ITALY			
Banca Comm.	668.20	673.76	434.30
NETHERLANDS			
ANP-CBS Gen	284.50	285.80	236.5
ANP-CBS Ind	283.20	284.70	216.8
NORWAY			
Oslo SE	360.35	356.83	393.90
SINGAPORE			
Straits Times	885.22	883.95	649.14
SOUTH AFRICA			
JSE Golds	—	1,860.0	1,126.5
JSE Industrials	—	1,360.0	1,030.6
SPAIN			
Madrid SE	200.08	198.36	96.07
SWEDEN			
J & P	2,424.93	2,429.16	1,616.85
SWITZERLAND			
Swiss Bank Ind	595.20	594.50	546.3
WORLD	Dec 9	Previous	Year ago
MS Capital Int'l	353.40	355.30	245.2

COMMODITIES

(London)	Dec 10	Prev
Silver (spot fixing)	373.35p	375.75p
Copper (cash)	£926.75	£931.50
Coffee (January)	£1,818.00	£1,977.50
Oil (Brent blend)	$14.625	$14.625

GOLD (per ounce)

	Dec 10	Prev
London	$391.00	$387.00
Zürich	$392.25	$387.75
Paris (fixing)	$386.73	$388.31
Luxembourg	$387.75	$389.50
New York (Feb)	$393.10	$390.40

CURRENCIES

(London)	US DOLLAR Dec 10	Previous	STERLING Dec 10	Previous
$	–	–	1.4255	1.4230
DM	2.0105	2.0190	2.865	2.8725
Yen	162.65	162.60	231.75	231.25
FFr	6.59	6.6175	9.395	9.4150
SFr	1.6815	1.6900	2.3975	2.4050
Guilder	2.2700	2.2825	3.235	3.2475
Lira	1,392.50	1,399	1,985	1,991
BFr	41.80	42.05	59.60	59.85
C$	1.3790	1.3775	1.9645	1.9585

INTEREST RATES

	Dec 10	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11⅛
SFr	4⅜	4⅜
DM	5⅜	5⅜
FFr	9⅛	9⅜
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6⅝
6-month US$	6⅜	6⅜
US Fed Funds	5⅞ *	5⅞
US 3-month CDs	5.80 *	6.025
US 3-month T-bills	5.47 *	5.64

US BONDS

Treasury

		December 10* Price	Yield	Prev Price	Yield
6⅝	1988	100⅜	6.197	100⅜	6.214
7⅜	1993	101⅝	6.884	101⅝	6.924
7⅜	1996	101⅜	7.053	101⅜	7.093
7¼	2016	102⅜	7.325	101⅜	7.341

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Dec 10 Day's change	Yield	Day's change
1–30	160.80	+0.12	6.83	–0.01
1–10	152.85	+0.09	6.52	–0.01
1– 3	142.37	+0.04	6.20	+0.00
3– 5	155.77	+0.09	6.60	–0.01
15–30	189.28	+0.26	7.83	–0.01

Source: Merrill Lynch

Corporate

	December 10* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.218	6.35	92.218	6.35
SCBT South Central				
10⅞ Jan 1993	106.375	9.499	106.375	9.499
Phibro-Sal				
8 April 1996	99.625	8.058	99.625	8.058
TRW				
8⅞ March 1996	103.75	8.928	103.75	8.928
Arco				
9⅞ March 2016	109.75	8.928	109.75	8.984
General Motors				
8⅜ April 2016	93	8.792	93	8.792
Citicorp				
9⅜ March 2016	100.875	9.285	100.625	9.310

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Dec	100-25	100-25	100-01	100-11
US Treasury Bills (IMM)				
$1m points of 100%				
Dec	94.55	94.55	94.52	94.55
Certificates of Deposit (IMM)				
$1m points of 100%				
Dec	94.28	94.28	94.28	94.28
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Dec	93.88	93.88	93.86	93.89
20-year Notional Gilt				
£50,000 32nds of 100%				
Dec	108-06	108-20	108-16	108-09

* Latest available figures

TOKYO

Foods lend substance to recovery

INVESTORS sought biotechnology-related drugs and foodstuffs in Tokyo yesterday, boosting share prices significantly, *writes Shigeo Nishiwaki of Jiji Press.*

Some blue chips were also bought, but purchases of domestic demand-related stocks dwindled.

The Nikkei average rallied 173.46 to close at 18,776.18 on a volume of 665m shares against Tuesday's 844m. Advances led declines by 424 to 416, with 151 issues unchanged.

Buying declined for the high-priced Tokyo Electric Power, Tokyo Gas and domestic demand-related issues, including properties and constructions. Instead, biotechnologies, which had recently been unpopular and are cheaper than domestic demand stocks, drew buying interest, helped by purchases by investment trusts and nonresidents. However, market analysts think they will not become leading issues toward the year-end.

Nippon Oil topped the actives list and gained Y40 to Y1,360, on speculative interest.

Pharmaceuticals were actively traded. Takeda Chemical came fifth with 15.62m, jumping Y120 to Y2,490, and Sankyo Co sixth with 14.27m, finishing Y110 up at Y1,680. Yamanouchi Pharmaceutical surged Y460 to Y3,930, coming eighth with 13.37m shares changing hands.

Morinaga advanced Y72 to Y620, Chugai Pharmaceutical Y90 to Y1,390 and Kyowa Hakko Y110 to Y2,150. Daiichi Seiyaku spurted Y210.

Some Toyota Group companies gained ground, with Toyota Motor rising Y60 to Y2,220 and Nippondenso Y70 to Y1,780. Fuji Photo Film closed Y70 higher at Y3,350.

However, Tokyo Electric Power, which had been leading the bullish market, shed Y70 to Y8,270, while Tokyo Gas edged up Y10 to Y1,180. But regional electric power companies were purchased and Kansai Electric Power added Y80 to Y4,180.

Dealers were unable to move actively in the bond market due to an absence of incentives. They are not sure enough of interest rate cuts by Japan and in the US to continue buying actively, while bond prices are not expected to tumble because regional banks and agricultural financial institutions are poised to purchase as prices fall.

The yield on the 5.1 per cent government bond due in June 1996 rose from 5.275 per cent Tuesday to 5.300 per cent at one point, but soon dipped to 5.290 per cent.

SINGAPORE

A MILD recovery was staged by Singapore in late trading as the Straits Times industrial index inched 1.27 higher to 885.22. Both domestic and overseas institutional support was lacking, however, and turnover dipped to 10.9m shares compard with the 11.4m traded on Tuesday.

Sime Darby edged 1 cent higher to S$1.78 on 2.1m shares, most of which traded in one large block, Pegi Malaysia dipped 1 cent to 37½ cents on 872,000 shares and UIC gave up 1 cent to S$2.66 on volume of 430,000.

Hong Leong Credit managed an 8-cent gain to S$3.66 although DBS dropped 15 cents to S$8.80.

EUROPE

Pre-holiday mood acts as brake

THE PACE OF TRADING slowed on the European bourses yesterday as a pre-Christmas mood distracted both domestic and foreign investors.

The absence of any concrete factors kept trading quiet and mixed in **Frankfurt** and the Commerzbank index fell 1.9 to 2,061.7. The lethargic tone was attributed to the coming holiday period and it was rumour rather than hard news that moved the market. Speculation that Daimler was consolidating its hold on AEG surfaced again, although Daimler denied this. The German car group dropped DM 7 to DM 1,251 while AEG put on DM 5.10 to DM 340.50. Among other car groups VW fell 80 pfg to DM 423.20, while BMW slipped DM 1 to DM 597.

Banks were mixed. Deutsche fell DM 2 to DM 829, Dresdner gained DM 1 to DM 411.80 and Commerzbank held steady at DM 312.50.

An announcement that Henkel is to buy four units of British group Beecham had little effect on the price of the German chemical group's shares, which ended DM 1.50 higher at DM 488. Elsewhere in the sector, the major chemical companies posted gains of up to DM 1 although pharmaceutical Schering lost DM 4.50 to DM 680.

News that group turnover at Continental gummi is expected to rise by 2 per cent from last year's DM 5bn made no significant impact and the issue rose DM 1 to DM 356. In construction, Holzmann eased DM 10.50 to DM 505.

Profit-taking took **Zurich** lower in the absence of fresh factors. Financial holdings had high volume but elsewhere turnover was limited.

Against the trend chemicals staged a recovery. Ciba-Geigy bearer gained SFr 70 to SFr 3,610 on buying interest and certificates rose SFr 10 to SFr 2,800. Sandoz certificates gained SFr 20 to SFr 1,740 while Hoffmann-La Roche "baby" shares showed a gain of SFr 100 to SFr 12,250.

Most other industrials tended slightly lower. Oerlikon-Bührle bearer fell SFr 10 to SFr 1,460 but Brown Boveri held steady at SFr 1,810. Brown Boveri said it had signed a deal allowing the Yuba division of Avondale Industries to produce and sell its power station equipment under licence in the US.

Insurers showed a downward trend while banks were barely steady.

Opening losses in **Milan** narrowed sharply although most issues ended easier in active trading as investors kept one eye on the account's approaching deadline. Insurers, financials and big industrials were the most active. Fiat dropped L520 to L12,930 while Montedison fell L40 to L2,820. Olivetti resisted the trend and put on L200 to L12,700.

Stockholm continued to be depressed by the absence of Swedish insurance groups who have withdrawn for year-end tax reasons. The uncertainty of domestic interest rate developments was another inhibiting factor as buyers kept out of the market pending clarification.

Fermenta B free shares, which are available to foreigners, fell SKr 4 to SKr 98. The issue had made gains earlier this week but slipped amid concern about plans by Fermenta chief executive and main shareholder Mr Refaat el-Sayed to pay SKr 540m of debts due next week, dealers said.

A lack of fresh factors to tempt institutional investors forced **Amsterdam** lower after a lacklustre session. Internationals all fell. Unilever was 50 cents cheaper at Fl 519 while Akzo dropped 7 cents to Fl 161, although dealers said that the price of the chemicals and fibre groups had been unaffected by Tuesday's news of legal action against two joint ventures planned by Akzo.

Banks were also lower, in contrast to their small gains of the previous session. ABN lost Fl 2.50 to Fl 544.50 while NMB was Fl 2 cheaper at Fl 203. Amro was down Fl 0.60 to Fl 93.90.

Brussels was mixed in active trading, while **Paris, Madrid** and **Oslo** were all higher.

HONG KONG

PROFIT-TAKING continued in Hong Kong although light bargain hunting supported a rise of 2.24 in the Hang Seng index to 2,442.59 after an early fall of 11 points.

Turnover improved to HK$786m from Tuesday's HK$748m although brokers remain wary of any pre-Christmas upsurge.

HK Bank, most active, added 20 cents to HK$8.85 as HK Wharf picked up 5 cents to HK$9.25 ahead of next week's interim figures.

Hutchison was steady at HK$43.25 while in the grey market Bond Corp, which is offering 116m new shares at HK$1.18 each ahead of a formal listing next month, traded at HK$1.40.

LONDON

A MORE normal trading pattern returned to London markets as turnover in new-issue British Gas eased and investors focused on a batch of corporate and speculative developments. The FT Ordinary index added 1.1 to 1,285.5 but the FT-SE 100 shed 1.3 to 1,634.6. Gilts opened higher, encouraged initially by a firm pound, but prices later eased and only small gains were seen at the close.

British Gas was ½ lower at 61p on volume of 199m while Grand Met advanced 9p to 458p on 9.1m. GEC gained 1p to 172p on volume of 7.9m.

Chief price changes, Page 45; Details, Page 44; Share information service, Page 42, 43

AUSTRALIA

THE WEAKER gold price and the overnight setback on Wall Street depressed Sydney and trimmed 9.9 points off the All Ordinaries index to 1,430.8. National turnover was almost 95m shares.

The main feature was BHP, up 4 cents to A$8.84 on turnover of 2.4m shares, on rekindled takeover speculation. Bell Resources held unchanged at A$4.15 and Bell Group shed 10 cents to A$8.70.

John Fairfax among recently active media stocks fell A$1.20 to A$11 after Bell Resources chief Robert Holmes à Court sold 3.3m shares at an estimated profit of A$10m.

CANADA

THE RETREAT gathered pace in Toronto although industrials resisted much of the downturn.

Bell Canada firmed C$⅛ to C$37 while Northern Telecom put on C$¼ to C$44⅛. Canadian Tire Class A dipped C$⅛ to C$12⅜ prior to a halt in trading while its common stock added C$2½ to C$83.

Among weaker metals and mines Noranda fell C$¼ to C$20¼ and Inco firmed C$¼ to C$16½.

Mining, industrial and bank shares all fell in Montreal.

SOUTH AFRICA

AN EASIER tone developed among Johannesburg gold shares in line with the weaker bullion price.

Southvaal lost R2 to R183 although Buffels held steady at R81.50. Other mines were mixed with Rustenberg among platinums 25 cents cheaper at R44.75 and leading diamond group De Beers 15 cents higher at R34.

Industrials tended lower although sector leader Barlow Rand firmed 5 cents to R18.45.

SECTION III

FINANCIAL TIMES SURVEY

Credit Cards

The replacement of cash by its plastic equivalent is accelerating. The new smart cards will widen the scope even further

Cashless society moves nearer

By John Edwards

THE MOVE towards a cashless society is accelerating fast. Until quite recently credit (or more accurately charge) cards were something of a status symbol, used by a privileged few.

Now an increasingly large proportion of the population are carrying some kind of cards in their wallets. They are used either simply to draw money out of their bank or building society account, or to pay for petrol, restaurant bills and goods in the local stores.

The Marks & Spencer chargecard, for instance, has extended the use of cards to a whole new sector of the shopping public even though the interest rate charged on outstanding balances on store cards of this kind tends to be disgracefully high.

Pin money has acquired a new meaning. Your Personal Identification Number is the key to unlock all kinds of riches. There are specialist cards for all kind of different purposes and services, ranging from club membership to travel and health care. There are even local town cards.

It is all part of the gradual replacement of money by a plastic equivalent. The wealth of man was once judged by the number of cattle or wives he possessed; then by the amount of gold or diamonds, which were in turn replaced by money (coins and notes). We are now at the beginning of the plastic age, with still a lot of developments to come.

The next stage forward is likely to be the "smart" or "chip" card — already developed in France and Japan — which will greatly extend the uses of plastic cards.

The "chip" incorporated in the card is able to store all kinds of information about your financial status and personal details thus widening the potential scope for its use. This "computer in your wallet" would mean that separate cards for cash dispensers, cheque guarantee and credit use would all be incorporated in a single "chip" card.

You would be able to obtain cash and purchase goods, as well as keep a running record of all your financial transactions and current bank balance.

GEC recently announced that it has developed a British version of the "smart" card, which it claims has considerable advantages over its French and Japanese competitors. However, although the technology of the "smart" card is being improved, the heavy cost involved is likely to delay its widespread introduction for some years yet.

Mr Roger Hymas, head of financial services at American Express in London, makes the point that machines needed to "read" the new cards are complicated and expensive. He says companies who have invested heavily in the present generation of machines and cash dispensers needed for existing cards will be extremely reluctant to rush too fast into another generation of even more elaborate, and costly, machines.

Meanwhile, the proliferation of existing cards is causing some problems, with competition tending to concentrate in the same areas. The market, according to Mr Hymas, is becoming too congested and overheated.

New suppliers attracted by the potential big profit margins resulting from borrowing "cheap" and lending "dear" are scrambling for business willy nilly and tending to disregard the risks involved. Social pressures are building up as a result of borrowers with limited resources being encouraged to overspend.

Bankruptcy cases, in which the "victim" claims to have been tempted by the large sums of unsecured credit offered by card companies, are becoming commonplace and causing some concern as the level of indebtedness builds up.

At the same time, the lines between credit and charge cards, for example, are becoming distinctly blurred and moving into direct conflict with store and specialist cards. The original appeal of credit cards, issued by the banks, was to give an automatic right to borrow. This was summed up in the promotional slogan: "Take the waiting out of wanting."

Properly used by the consumer, credit cards can provide a supply of extra money interest free. All you have to do is to ensure that you settle the bill in time and in full.

This, however, is easier said than done, particularly as the banks have tended deliberately to increase borrowing limits. This is aimed at encouraging the user to incur a debit balance, on which exorbitant interest rates (currently 2 per cent monthly equal to an annual percentage rate, APR, of 26.80 per cent for purchases and 27.20 for cash advances) are charged.

Bearing in mind the present base rate of 11 per cent, it is an extremely profitable way for the banks to lend money. By automatically adjusting credit limits upwards, the banks encourage the user to spend more and get into debt with a very expensive form of borrowing.

Charge cards, basically American Express and Diners Club, operate in a different way. They give credit for only a limited period, and charge the user a fee for the privilege. Their appeal has historically been based on prestige (the financial status implied in qualifying to become a card holder) and the convenience factor of being able to pay restaurant and travel bills without having to carry money. The international use was a particular plus.

However the situation has been changing rapidly. The expansion of the Visa and Mastercard systems worldwide means that banks and other providers of credit cards are able to compete internationally.

However, the charge card companies have now moved into the lending business. A big attraction of the American Express Gold Card, for example, is that you can borrow up to £10,000 without question at only 2.5 per cent above base rate. This facility has now been extended to Amex Green Card holders too.

Under its recently launched Personal Reserve scheme you can borrow up to £5,000 through an overdraft with the American Express Bank at a current rate of 1.5 per cent a month (19.5 APR) which is well below the Access or Barclaycard level.

Diners Club too have belatedly joined the lending business. Through its parent company, Citibank Savings, it is offering fixed interest personal loans of up to £7,500. The so-called preferential interest rate is high, varying from between 24.2 and 29.4 APR, depending on the period of the loan, which can be spread over one to five years.

But the promotional material is pitched strongly—"you may wish to splash out on a jacuzzi, or construct a conservatory; establish a wine cellar or install solar heating" according to the blurb sent to members.

This is just the starting point however. The big advantage of all cards is that they give the supplier a database of names, with a personal financial profile, that can be exploited in a variety of ways. The most obvious is financial services, but all kinds of other merchandise can be sold by suppliers, helped by knowing a good deal about the potential customer.

Mr Austin Bendall, a director of Coopers and Lybrands management consultancy division, feels that so far card companies have been poor at marketing, with bad targeting of customers. With the advantage of knowing details about the recipient's likely buying patterns, he says there are a lot of opportunities to do more imaginative things.

Mr Bendall also predicts that stronger and better links between card suppliers, retailers and mail order companies could lead to much sharper and more successful marketing. At present, many credit card companies are "raping the retailer" for a quick profit, he points out, while what they should be doing is to co-operate in helping shops boost sales by providing easy credit terms.

Mr Hymas agrees that card companies must become more "multi-functional." They provide in particular an ideal launching pad for promoting other financial services in a market that is much wider following the Big Bang on the London Stock Exchange, the

Continued on Page 8

UK Payments card market 1986

BANK ISSUED CREDIT CARDS*	(m)
Access	8.3
Barclaycard	7.9
Trustcard	2.4
Other Visa	0.8
Total Bank Issued Credit Cards	19.4
TRAVEL AND ENTERTAINMENT CARDS	
American Express*	0.6
Diners Club	0.3
Gold Cards	0.15
Company Cards	0.3
Total Travel and Entertainment Cards	1.35
STORE CARDS	5.0
TOTAL OF ALL PAYMENT CARDS	25.75

*Excludes Gold card and Company cards

CONTENTS

Charge Cards

Competition proves tougher

EXTENDED credit facilities may strike fear into the hearts of the spendthrift, but for such people there is always the choice of "charge" rather than "credit" cards.

Charge cards do not have a pre-set spending limit but require payment on demand of the total amount charged in lump sum, since there is no revolving credit facility.

It is always possible to use credit cards such as Visa and MasterCard as "charge" cards by repaying without delay the entire amount charged. Indeed, Barclaycard in the UK, which is linked to the international Visa network, points out that in an average month 42 per cent of its active credit cardholders pay off the full amount of their debt and therefore incur no interest charges.

Although the "choice" is left to the user in respect of credit cards, a vast international market has flourished for the purely "charge" card, with American Express in the lead.

American Express has always marketed its standard, or green, card as a travel and entertainment facility for affluent businessmen. The card requires an annual fee of £22.50 and an enrolment fee of £15. It is accepted at 1.4m establishments around the world and offers global cash withdrawal and traveller's cheque facilities, including instant refunds on lost traveller's cheques.

Acceptance as a "card member" has also been associated with a certain prestige, for the absence of a pre-set spending limit is meant to reflect the member's sound financial standing.

But since the card has become more popular its prestige value (which does not seem to have had much appeal in the UK, for example), has faded. In order to capitalise once again on the image of the card as an élitist product, American Express launched the successful Gold Card.

This card has a higher enrolment and annual fee, is "gold" in colour and assumes an annual income "in the region of £25,000 or more."

Women have crept into the advertisements for both the green and the gold card, and the target age group has become younger. "We have traditionally aimed at the person who has already arrived. That was a businessman, aged 40-45. Now we want to identify the person who *will* get there," says Mr John Petersen, commercial director of card operations.

Identifying the market may be more important than ever before. While American Express leads the field in global market share, with 22.2 cards last year, its main competitor in charge cards, Diners Club, is now under pressure to bring out competing offers for cardholders.

In recent years these have included a series of leap-frogging amounts of insurance cover on the use of the card for airline tickets and holidays abroad. But such offers are essentially the icing on the cake of a product which must have an intrinsic consumer appeal if it is to continue to expand.

Diners Club, which is owned by Citicorp and claims to be the world's first charge card, appears to have reached a stalemate in its expansion plans, but is clear that it wishes concentrate on "a personal service for the business traveller."

Its new marketing director, Mr Bill Tight, sees American Express as a competitor "in the same way as cash is a competitor."

At American Express the view taken of the charge card is changing. "We are looking for broader relevance for the charge card—Amex in particular, and charge cards in general," says Mr John Stuart, chief general manager of Travel-Related Services.

"In the past three years growth in outlets which traditionally would not have appealed to us," he says. In the UK, for example, do-it-yourself places such as MFI or fast-food restaurants such as Little Chef have proved to be popular for the use of the card.

So have opticians, which has led American Express to take a closer look at specialty retail uses for the card. It is also being used for health care. A couple can pay to have their baby in private care with the American Express card.

"We provide first and foremost a payment instrument. You carry American Express rather than cash," says Mr Stuart. He sees the UK as a more "sophisticated" market "for plastic" than the Continent and one which compares favourably with the US, Canada and Australia, the most developed countries.

"Our card penetration in the UK has been faster than anywhere else in Europe and I think that is generally true of all aspects of our business," he says.

But the use of the charge card as a payment instrument is one that could be increasingly under threat from competition as direct debit cards linked to bank and building society accounts permit the automatic transfer of funds.

In the UK, American Express appears to have been well aware of such future developments, and has ensured that it has, through its card, tapped another market—unsecured lending.

One of the early novelties of the American Express Gold Card—since imitated by others—was the provision to cardholders of an instant overdraft facility of £7,500 by participating banks at rates not more than 2.5 per cent above the bank's existing base lending rate.

Since then, the overdraft limit has been raised to £10,000 amid new competition from banks such as National Westminster, which has launched its own Gold Mastercard, a charge card with the higher £10,000 limit on overdrafts.

The extremely high cost of borrowing in the UK, where personal loan rates have been 7 per cent to 8 per cent over base and the cost of credit on department store cards as high as 20 per cent over base, has made the borrowing on a Gold Card much more attractive.

"Bank competition in gold cards can be quite considerable," says Mr Stuart. "In non-UK markets the overdraft facility may not be as desirable, but we may concentrate on travel-related services."

Before the deregulation in financial services in the UK that will allow building societies to move into unsecured lending next year, American Express is clearly intent on carving a niche for itself. Through American Express Bank it is now offering unsecured overdraft facilities to selected cardholders of its green card.

The "Personal Reserve" service charges an interest rate comparable to bank personal loan rates, which are higher than the Gold Card overdraft rates. The amount borrowed may vary from a minimum of £1,000 to a maximum of £5,000.

American Express emphasises that its charge card remains just that and offers no credit facilities. These are offered by American Express Bank. The proliferation of plastic cards and sharper competition in financial services appears to have begun to blur the distinction between charge cards and credit cards.

National Westminster's Gold MasterCard doubles as a cheque guarantee and cash withdrawal card as well as a charge card. So does Barclays' Premier Card. The additional services offered by these banks are both an indication of direct competition and a means of testing a wide variety of consumer products in a relatively low-risk market—people with high incomes.

Thus NatWest links its Gold Card with its "Gold Plus" service that offers direct access to NatWest brokers Fielding Newson Smith and an investment and tax advisory service.

American Express has provided banks participating in its Gold Card overdraft scheme in the UK an introduction to new customers, says Mr Stuart, who makes it clear that the competition between charge cards is fundamentally a competition between banks.

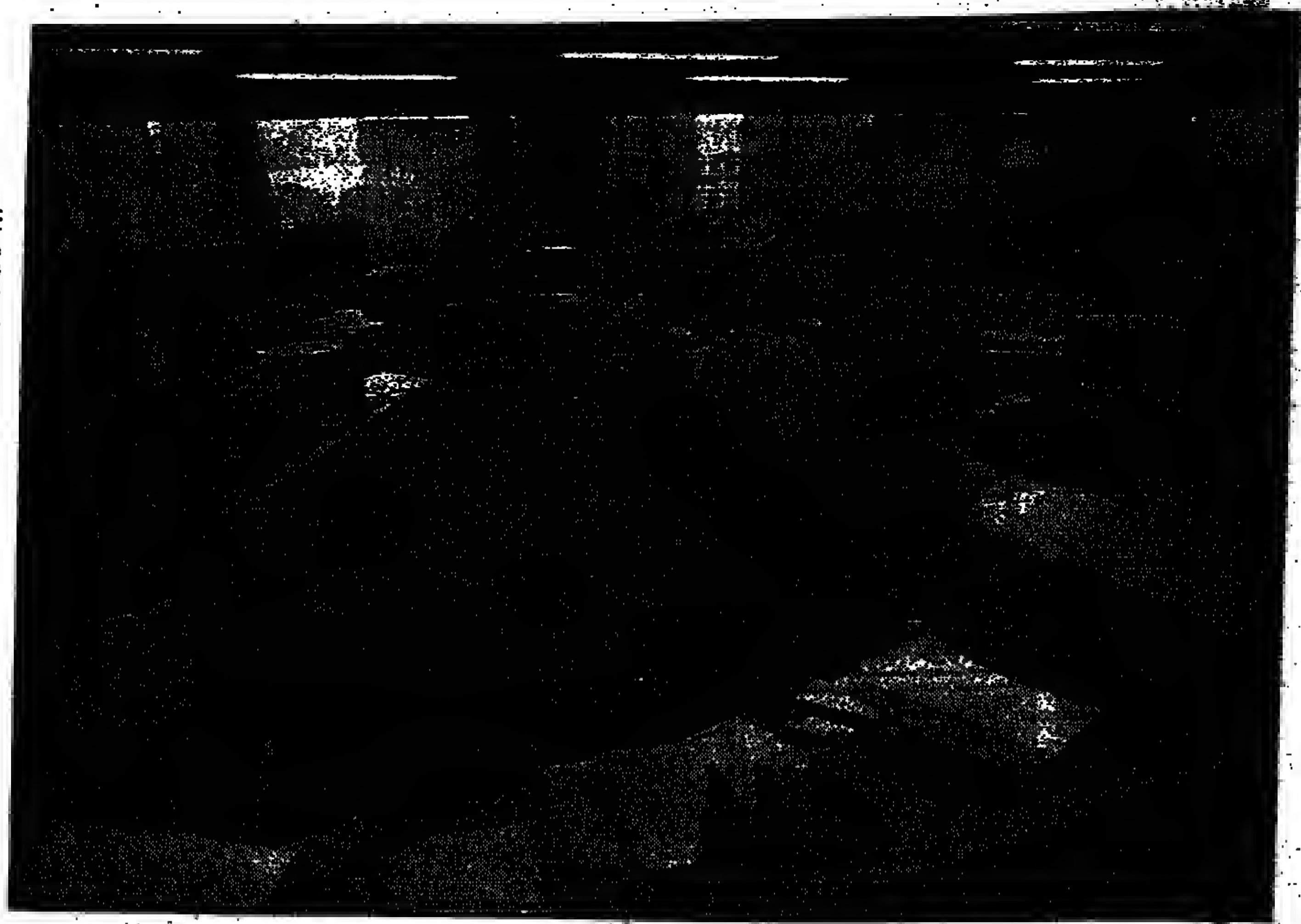
Banks which issue charge cards may see it as only one part of their business, however. Mr Peter Ellwood, chief executive of Barclaycard, says: "We have been very impressed with our Premier (charge) card. But I do not think there is a massive market for charge cards."

While many private customers are likely to turn to an all-in-one approach to plastic cards which eliminates the need for a purely "charge" card, the corporate sector continues to remain an important market for such cards.

Both Diners Club and American Express are concentrating much of their marketing effort on companies wishing to give their employees expenses rather than cash "up-front." Alongside its green and gold cards, American Express also offers the Company Card for small businesses and the Corporate Card for larger companies with many executives.

"In the corporate area there is a massive amount of money going out on travel and business-related activity and it is largely uncontrolled," says Mr Stuart. It is thus also an area which seems to offer the largest potential for growth in charge cards in the near future.

Dina Thomson



Processing charge cards at the American Express European operations centre in Brighton

Major Systems

An overcrowded marketplace

"THE FIRST plastic card issued in China was a MasterCard. There are no set rules for plastic or how you market it," says Mr Russell Hogg, president of MasterCard International. In a world where the "rules" for the uses of plastic cards are rapidly changing, MasterCard, one of the two largest payment systems, is increasingly concerned at gaining market share.

Its concern may be well founded. Its major rival, Visa International, saw record payments volume of $100bn last year. MasterCard's link in Europe with Eurocard is in doubt because of dissatisfaction with the low number of Eurocards in many European countries.

Furthermore, a possible merger with Eurocard and Eurocheque would only serve to erode MasterCard's ambitions towards acting as a mass payment system in its own right, rather than as a "travel and entertainment" card similar to American Express.

From this perspective, MasterCard's aggressive marketing stance makes sense. The appeal of a mass payments system—where the card can be used as a charge card, a debit card that takes funds instantly from your bank account, or a credit card that allows a revolving credit facility—is enormous.

The process of establishing global market share is complicated by divisions among bankers as to the need for a single European payment system organisation. While the MasterCard - Eurocard link is under threat, Visa may be the beneficiary.

"It's likely that one or more German banks will soon decide to become dual Visa-Eurocard issuers. Savings banks in Germany, the Netherlands, and perhaps other European countries may decide to tie their cards to the Visa International network," says Bankers and Payments, a recent study by Retail Banker International.

Divisions between European bankers on payment systems have been complicated by the promotion of Eurocheque—which is tied to paper—as a mass payments method. Amid such divisions, the market place appears to be overcrowded with competitors.

As Visa and MasterCard are funded by their respective member banks, their rivalry essentially reflects growing competition in the retail banking sector. It could be argued, however, that the form this competition is taking is counterproductive, resulting in a greater cost to the participating banks in each scheme, and ultimately a greater cost to the consumer.

A merger of operations is a subject which came up a few years ago, but with little success. "We spent a lot of money trying to merge with Visa three years ago and for many reasons Visa's members did not want it to happen," says Mr Hogg.

At Visa, Mr Joao Ribeiro da Fonseca, chief general manager for Europe, the Middle East and Africa, points to co-operation between the two organisations in the US on security and common operating regulations, with some level of systems co-operation.

But Visa has not publicly aired views on the virtues or pitfalls of closer ties with MasterCard, and the rivalry seems as strong as ever. Moves toward the next step forward for all plastic cards—into "smart card" technology—serve to illustrate the continuing differences in approach.

"Neither Visa nor MasterCard can go alone into the chip card," says Mr Hogg, arguing that high costs are not the major factor for co-operation. A common world-wide system is needed, he says, for security and the provision of adequate banking products and services.

MasterCard initiated a major test in Florida and Maryland in the US some 18 months ago to introduce smart cards to the US consumer. On the basis of the results, Mr Hogg is optimistic on the use of smart cards, and keen to step firmly into the field.

He portrays Visa as slow to innovate—"We were the first to go ahead with the hologram (on the card) and we had to drag them after us," he says.

At Visa, senior executives are equally blunt. "MasterCard is copying experiences we had 3 to 4 years ago as a public relations exercise. The only payment system that is investing the technology in financial services is Visa," says Mr da Fonseca.

Early this year seven Visa member banks from different countries conducted a study on chip cards which concluded that "massive conversion to the new technology should be linked to the application of new revenue-generating services."

According to the study, such services could include electronic tokens for small payments such as parking meters or telephones, remote banking services, home shopping and information services and access to multiple accounts.

"Cost is a major consideration, and must be related to services available," says Mr da Fonseca. "Chip card standards are also a problem despite the technology being available. It would be premature to push for major developments which could be isolated in the future if standards are not high enough."

Offering a wider range of financial services is the challenge facing retail banks. In the UK in particular, heightened competition in the wake of Big Bang or deregulation in October is spilling over on to the High Street.

As member banks of Visa and MasterCard plan their strategies for attracting customers, they may be tempted to offer a slightly different product within the same overall system.

As "credit cards" which allow an extended repayment facility, Visa and MasterCard are linked to Barclaycard and Access respectively in the UK. Interest rates charged on these cards have tended to be uniform despite the fact that they are individually set by the bank concerned.

One of the Visa members in the UK, the Co-operative Bank, recently offered a cut in the interest rate charged on its Visa card, pointing the way, perhaps, to future competition. In the US, for example, interest rates on Visa and MasterCard vary considerably depending on the bank with which you hold your card.

The Co-op Bank is also to pay interest from December 1 to holders of its Visa card who keep positive balances in their accounts. At the recent announcement of this facility, it claimed to be the first European bank to offer this return.

"The system in the UK at the moment does not facilitate competition. There may not be enough banks, and there aren't enough processors (of Visa and MasterCard business)," says the Co-op. Along with the Trustee Savings Bank, the Co-op offers its own processing on Visa cards, with Barclaycard as the main competitor.

Further competition is around the corner in the UK however, with the building societies facing deregulation that will allow them into the sphere of unsecured lending and the greater potential use of plastic cards.

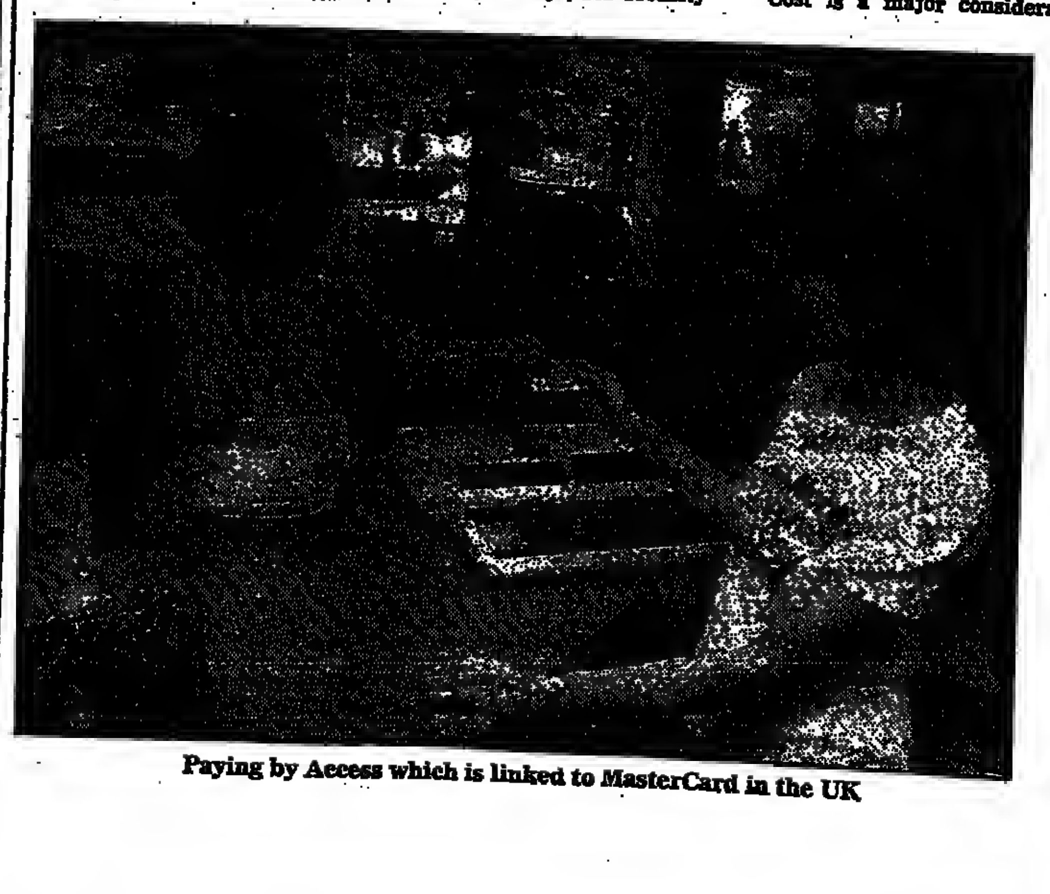
The choice facing these new entrants will be to knock on the door of the current Visa and Access system and agree to be bound by existing rules, or go the way of the Co-op, and change the rules in aiming for a new market.

Dina Thomson

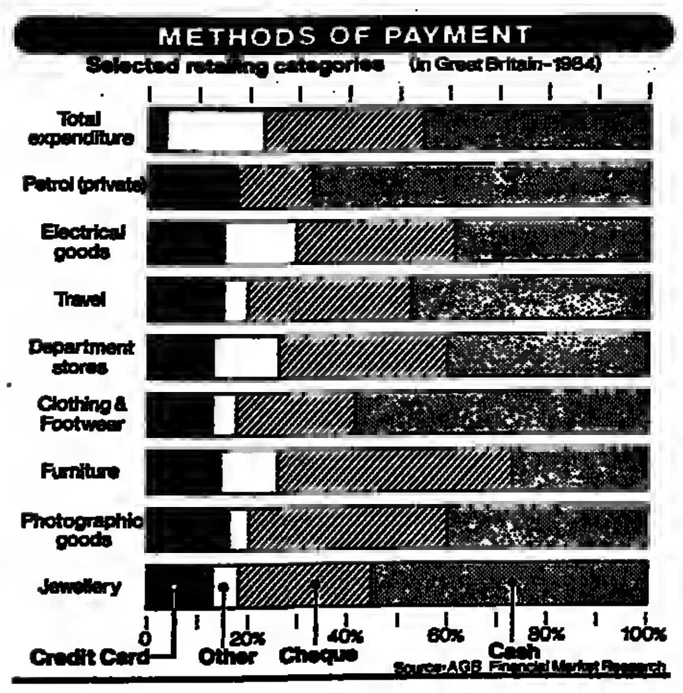
PREFERRED NON-CASH PAYMENT METHODS

Payment situation	West Germany	Netherlands	France	Spain	Sweden	Great Britain
High street shopping	Eurocheque	Eurocheque	Visa	Retail card	Retail card	Access
Holiday	Eurocheque	Eurocheque	Visa	Visa	MasterCard	Access
Holiday in US	American Express	American Express	American Express	American Express	American Express	American Express
Business trip	Eurocheque	Eurocheque	Visa	Visa	Eurocard	Access
Business trip elsewhere in Europe	Eurocard	American Express	Visa	Visa	Eurocard	Access

Source: MasterCard International



Paying by Access which is linked to MasterCard in the UK



A Barclaybank or Barclaycard Visa being used for a cashier service in one of Barclays' branches

In-house Cards

A sharp marketing tool

PEOPLE often ask whether retailers like Burtons and Marks and Spencers, each of which has a credit card operation with more than 1m members, will try to extend the use of their cards beyond their own stores.

This question, though not unreasonable, rests on the assumption that retailers issue credit-cards for the same reason as banks and other financial institutions—to make money.

But in fact retailers' credit-card operations are only rarely seen as profit centres in their own right. Rather, they are seen as e marketing tool for the main business—how to get more people spending more money in their stores.

The same is true of another new entrant to the credit card field—the town. Three English towns—Chester, Wilmslow and Tunbridge Wells—now have their own credit cards which can be used to buy goods in many of the major shops in the relevant town.

Both types of card are really "loyalty" cards. Their purpose is to instil into the consumer loyalty towards a particular store or a particular town, so it makes little sense to offer their customers cards which can be used in rival stores or rival towns.

This principle is modified in only a few marginal cases. Trusthouse Forte, for example, has 100,000 customers for its "Gold Card," the purpose of which is to encourage the use of Forte's 1,700 hotels, restaurants and motorway service areas worldwide.

But to make the card more attractive to customers it has made an arrangement with Budget Rent-a-car to eccept its card. Forte says it might well negotiete further links with services complementary to its own mainstream services but would not seek more general links.

Selling more goods is so important that the retailers are even prepared to run their credit card operations et a loss. Marks and Spencer, for example, which launched its "Chargecard" in April 1985, is still showing e loss, though it will not say how much of one.

In that short time, however, the stores group has managed to build up a cardholder base of 1.3m, while 11.5 per cent of the goods bought in its stores are now paid for by Chargecard.

Ideally, retailers would prefer to make e profit on their credit cards as well as getting more business. The main hope of doing so is by persuading enough people to take credit on the cards, on which they then have to pay interest.

The interest rates charged by most retailers are high—even more than the already high interest rates charged on bank credit cards. Marks and Spencer, for example, charges an annual rate of 29.8 per cent and rates of almost 35 per cent are not unknown.

The problem for the retailer is that customers tend to use their store cards much more like charge cards—paying off the balance in full et the end of the month—than credit cards. To obtain credit most people are much more likely to use Barclaycard or Access.

Another way for a retailer to make profits from its credit cards is by selling its skills to other retailers.

One of the best examples of this is Burton Group, which runs two credit card operations: the first, Personal Account, has 1.2m members and is issued by most of the Burton Group retailers; the second, Welbeck Finance, runs the Debenhams Card (Debenhams was bought by the Burton Group last year) which has 1m members.

Both cards can be used in any store in the Burton Group though they have different customer profiles: Personal Account holders tend to be young men; Debenhams cardholders tend to be older, richer and women. Because of this difference Burtons thinks it would be inappropriate to merge the two operations.

Besides running the Debenhams card, Welbeck Finance also runs credit card operations commercially for a number of other retailers, including Laura Ashley and Russell and Bromley.

A similar approach is also followed by Club 24, the credit card subsidiary of Next, the clothing retailer. It runs credit card operations for 20 major retailers—including Dixons, Texas, Etam and Lillywhites as well as itself—and many smaller shops.

Between them these stores now have 1.3m credit cards. In 1985-86 about £250m worth of goods were bought with them and Club 24 made a profit of £7m.

Hugo Dixon

Banks

Barclays leads the pack

CAN Barclays Bank pull off the same coup with debit cards as it did with credit cards?

The question has been prompted by the revelation that Barclays is planning to introduce a paper-based debit card next year and fears among some other banks that Barclays is trying to steal a march on them in advance of the introduction of a joint electronic system in 1988. On this issue suspicion between the banks runs deep.

In 1966 Barclays took the bold step of being the first UK bank to issue a credit card—Barclaycard. At the time many thought it would not pay off; and even today the rival UK clearing banks say it is only with the benefit of hindsight that the investment was a good one.

Although Barclaycard took a little time to get off the ground, by 1972 it was clearly a winner. The other big banks — National Westminster, Lloyds, and Midland — and two smaller ones — Royal Bank of Scotland and Williams and Glyn's — decided that they had to respond.

So important was it for them to catch up and so little time did they have that they chose the rather unsatisfactory route of forming a joint credit card company — Access. Co-operation had the advantages that the heavy costs of setting up a credit card operation were shared and it was easier to sign up a comprehensive network of retailers prepared to accept the card.

But it has disadvantages. Although it is up to the individual Access banks to find their own cardholders, and they guard them jealously from each other when they have them, the marketing of the Access brand name is a joint effort.

The banks are therefore unable to start any major marketing campaign without revealing it first to the other Access banks — their competitors. As Mr John Dawson, Lloyds director of retail banking, puts it: "The defect of Access is that it is undifferentiated." Barclaycard does not have the same handicap.

The result has been that although each of the big banks has roughly the same number of personal customers as Barclays, and has tried to sell Access to them, they have not managed to budge Barclays from its pre-eminent position in credit cards.

Barclays still had more cardholders (8m) at the end of last year than NatWest (3m), Midland (2.5m) and Lloyds (2.2m) put together, while its recent move in debit cards — known as "Project Decimal" — is an attempt to perpetuate its dominance into the new era.

Initially, "Project Decimal" will operate in much the same way as a credit card: it will carry the Visa insignia and require the customer to sign a paper chit when making a purchase.

The main difference will be that the cost of each purchase will be debited immediately to the cardholder's account, whereas purchases by credit card carry an interest-free period of up to 56 days and further credit can be obtained so long as interest on the outstanding sum is paid.

Later on, however, the debit card could be slotted into an electronic payments system — otherwise known as electronic funds transfer at point of sale (eftpos)—which would do away with paper chits.

"The conventional wisdom was that it was not worth issuing debit cards until you had an electronic system and thet it would not pay to have an electronic system until you had a critical mass of cardholders," says Mr Seymour Fortescue, Barclays' director for personal banking.

"This (Decimal) is a way out of the Catch 22 situation. We are not pulling out of eftpos. We are simply trying to put ourselves in e stronger position."

The rival banks have yet to decide how serious Barclays' challenge is. Mr Derek Wanless, NatWest director of personal banking, says: "We have plenty of time to react."

Mr Dawson of Lloyds Bank says there might be difficulties if Lloyds wanted to launch an Access debit card, however, because it would have to get permission from its co-shareholders to use the brand name and that would limit its ability to plan in secrecy.

Although the debit card is a hot issue today it is seen primarily as a substitute for cheques — not credit cards. The main issua in credit cards is whether the banks can continue to earn the high profits they are said to be making.

Of the Big Four banks, only Barclays publishes the profits of its credit card operations. Evan Barclays' figures (£35m for the first half of this year) mix up the profits of credit cards with those of travellers' cheques.

The costs of running a credit card operation fall broadly into four categories: administration; interest that the bank loses between paying the retailer and being paid by the cardholder; fraud; and bad debts.

Credit cards also produce two main sources of income: interest on any amount the cardholder does not pay back after the interest-free period; and a commission paid by retailers to the credit card company based on how much the card is used.

Banks have been able to earn large profits from credit cards mainly because they have managed to charge big commissions (around 2.5 per cent) to retailers and high interest rates to borrowers.

Barclaycard and Access are now charging 26.8 per cent, a spread of 15.8 percentage points over base rate. They have also been blessed with a fast-expanding market which has brought great edministrative economies of scale.

Looking to the future, the market is still far from saturated. Only 4 per cent of retail goods in the UK ere paid for by credit card. But as the market expands the banks ere already finding their market share — though not yet their interest margins — squeezed by other competitors.

So far the banks' most serious rivals have been the retailers themselves. In recent years many have chosen to launch their own credit cards, sometimes as financial ventures in their own right, but mainly to encourage store loyalty.

But the store cards have one important limitation: usually they can be used only in branches of the store that issued them.

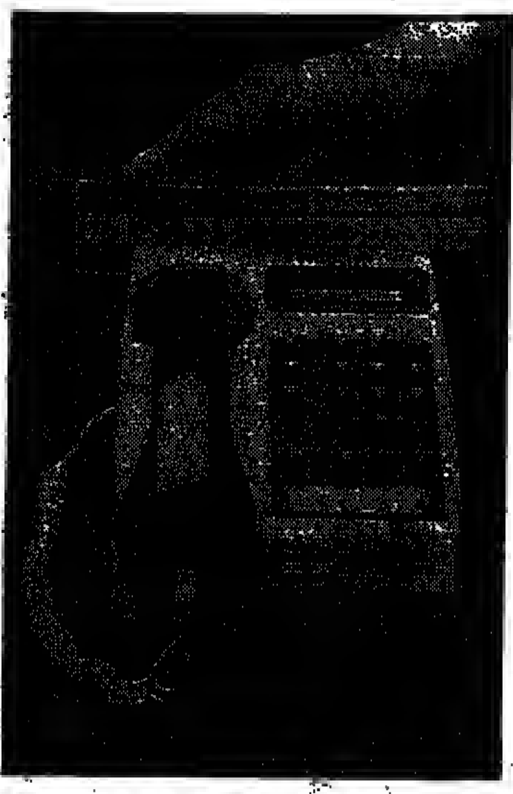
Building societies, which will be allowed to introduce their own credit cards from next year, will not suffer from this liability and are therefore potentially more of a threat to the banks. They would be direct competitors and, to build up a market share, might even undercut the banks on interest rates.

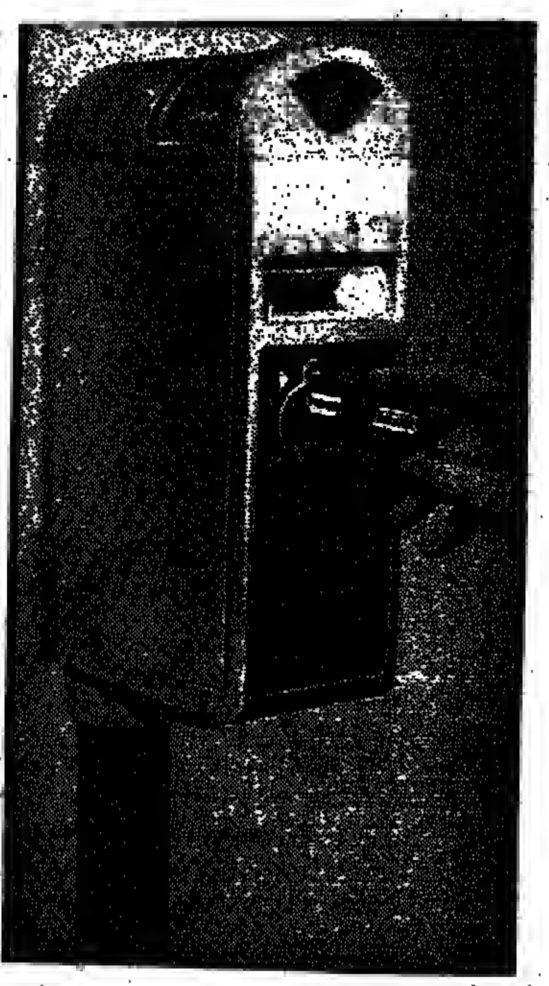
All that, however, presupposes that the societies are eble to get into the card business in the first place, which may not be so easy. The simplest way in would be to join either Access or Barclaycard, but why should the banks make life easy for their future competitors?

If they are unable to join the banks, however, it is unlikely any individual building society would be prepared to set up e credit card operation on its own. The start-up costs would be heevy even for the largest and richest of them.

So societies wanting to get into credit cards might find they had to club together in a joint operation — and that could take time. Any time lag, though, would provide a welcome breathing space for the banks.

Hugo Dixon





Above: Cardsure is a new automatic authorisation telephone terminal introduced at retail outlets. Right: Magnetic cards instead of coins for parking meters have been on trial in Birmingham

New Products

Cards extend their range

ALTHOUGH THE standard credit card will doubtless continue for some time yet, new types of plastic card continue to appear on the market.

There are four broad categories: the "smart" card; the debit card; the gold card; and the product card.

The "smart" (meaning "clever") card is the most futuristic of the three. It looks like a credit card but in many ways is more like a mini-computer. Personal information is packed into a silicon chip on the card and then read or altered by passing it through an electronic terminal.

The technology of the smart card is becoming more advanced all the time and it has yet to make a big impact in the UK. But a glimpse of what the future holds can be seen by the research done by the electrical group GEC.

The GEC smart card differs from other such cards in two ways. First, the surface which carries the information never has to touch the terminal, so there is little danger of it being damaged; second, it has a large storage capacity — 64k bits or the equivalent of eight typed pages of information.

So far only a few pilot schemes are using the GEC smart card, but some larger pilot schemes are expected to get under way next year. Because it is essentially a computer it can be programmed to a wide range of jobs.

In the financial area one smart card could do all that is now done separately by a credit, cheque guarantee and debit card. It could also record the details of financial transactions, which the holder could then read on a personal computer.

Data on current and deposit accounts could be put on the same account, making it easy for people to transfer money from one account to the other.

In the social services field it could be adapted to carry a person's national insurance number, pension entitlements; or his or her blood group, allergies, past medical history and health insurance status.

The smart card could also be used in offices and factories to do the job of an advanced identity card or monitoring e manufacturing process.

The debit card, which differs from a credit card because transactions are debited to the cardholder's account without an interest-free period, is more mundane.

But even the most common version of debit card—that used in bank and building society cash dispensers—is having all kinds of additional services added to it. A good example is the Halifax Building Society's debit card, launched in 1983, which now has 1.7m cardholders.

As well as providing the basic cash-withdrawal service, Cardcash can be used by the holder to find out from a cash-dispenser how much he has in his account, get an immediate statement of the most recent transactions in his account, and ask for a full statement.

He can also transfer funds from one account to another and pay bills. It seems likely that in time all these services and more will be commonplace for debit cards.

The rationale of gold cards, which are neither credit nor debit cards but charge cards for the rich or the well-paid, is different. They have little to do with improved efficiency but much to do with status.

American Express, which launched its gold card in 1981 and now has 110,000 cardholders, is the main issuer of gold cards in the UK, and believes there is still a long way to go before the market is saturated.

But it recognises there is e danger in allowing too many people to have e gold card, as the "currency" then becomes "devalued." When this happened in the US, American Express had to launch a platinum card for the very rich. But the British, it says, are less status-conscious and it so far has no plans for a UK platinum card.

As well as status, gold cards typically provide two additional features: automatic overdraft facilities, usually in the region of £10,000 at preferential interest rates, and free travel insurance.

One of the advantages of the American Express gold card is that it also gives cardholders access to a personal travel counsellor, who keeps details of his travel preferences and will make travel arrangements on his behalf. This may explain why some British banks—Lloyds, Royal Bank of Scotland and Grindlays—have chosen to issue American Express gold cards rather than issue their own.

Thomas Cook, the travel agent subsidiary of Midland Bank, is trying to change this. It does not have its own credit card business, but thinks it is in a good position to provide all sorts of travel extras — travellers' cheques, foreign money, chauffeur services and travel bookings — for a bank which wants to upgrade its ordinary credit card to a gold card.

A special division, Thomas Cook Premium Services, was recently set up to sell this service and is negotiating deals with 10 banks. Its main marketing point is a negative one: American Express, it says, is offering banks e premium service and then creaming off its premium customers and cross-selling products to them; Thomas Cook, it says, would not do this, as it would not have access to the customer mailing list.

Different considerations lie behind the growth of the "product" card. This is typically a charge card confined to one product or e narrow range of products and aimed at businesses which want greater control over their employees' expenses.

One example of the product card is Overdrive, a joint venture between the US bank Wells Fargo, and Great Universal Stores, the UK retailer. The product it concentrates on is petrol and it is accepted at half the petrol stations in the UK.

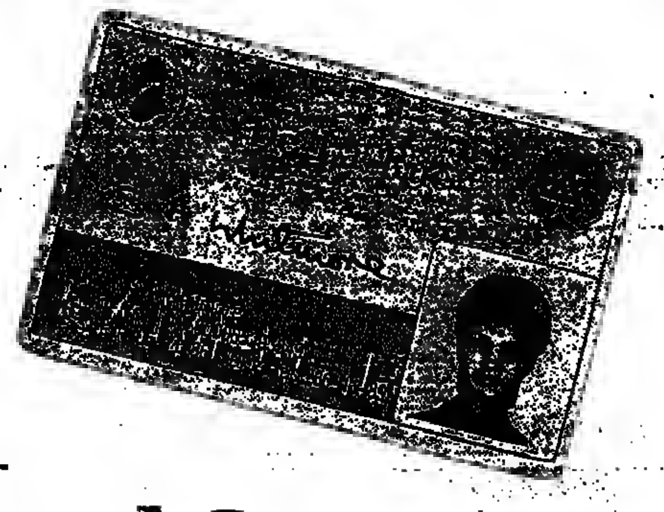
Because it concentrates, it is able to give much more detailed statements than e standard credit card. It also provides an additional service which analyses fuel consumption by driver, vehicle, card or cost centre. Managers are therefore able to monitor their employees' fuel consumption on business journeys much more accurately.

Another example of a product card is AirPlus, a joint venture by 13 of Europe's airlines started in October. Its focus, unlike Overdrive's, is not a single product but a range of products and services, including air travel, car hire, restaurants and hotels.

AirPlus, like all product cards, is intended to give its users more information and greater cost control. But partly because it is not confined to a single product and partly because the products and services it can be used for are a large proportion of normal credit-card business, it is not regarded as simply a niche player.

"AirPlus is a direct challenge to the supremacy of the giant international credit card schemes and their ability to satisfy the specific needs of the business traveller," Mr David Huamer, its managing director, said when it was launched.

H.D.



Secure Technology from De La Rue Identity and Card Systems

De La Rue Identity Systems
UK

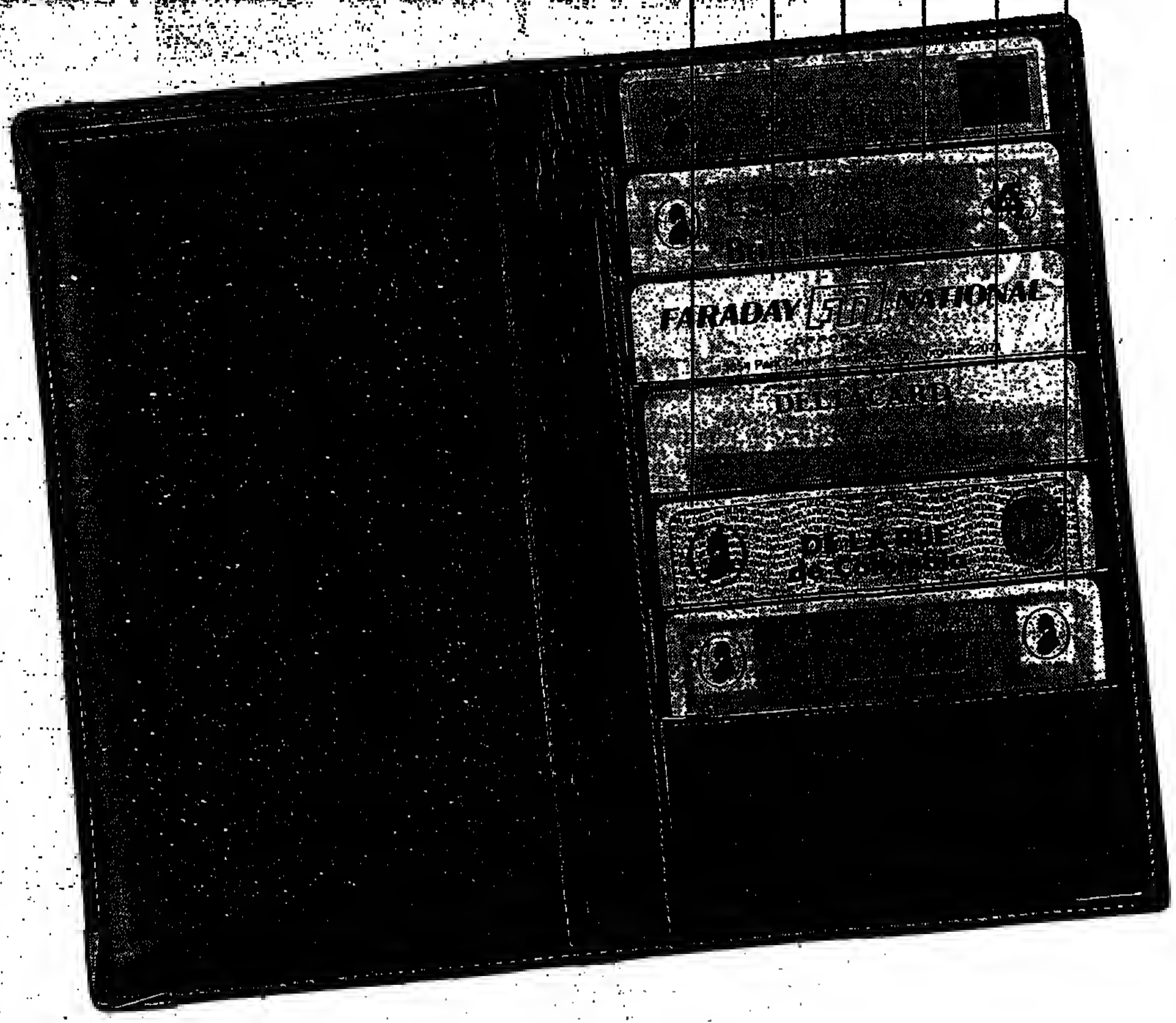
Bradbury Wilkinson Data
UK

Faraday National Corporation
USA

Deltacom-Groep
HOLLAND

Thomas De La Rue de Colombia
COLOMBIA

Thomas De La Rue do Brasil
BRAZIL

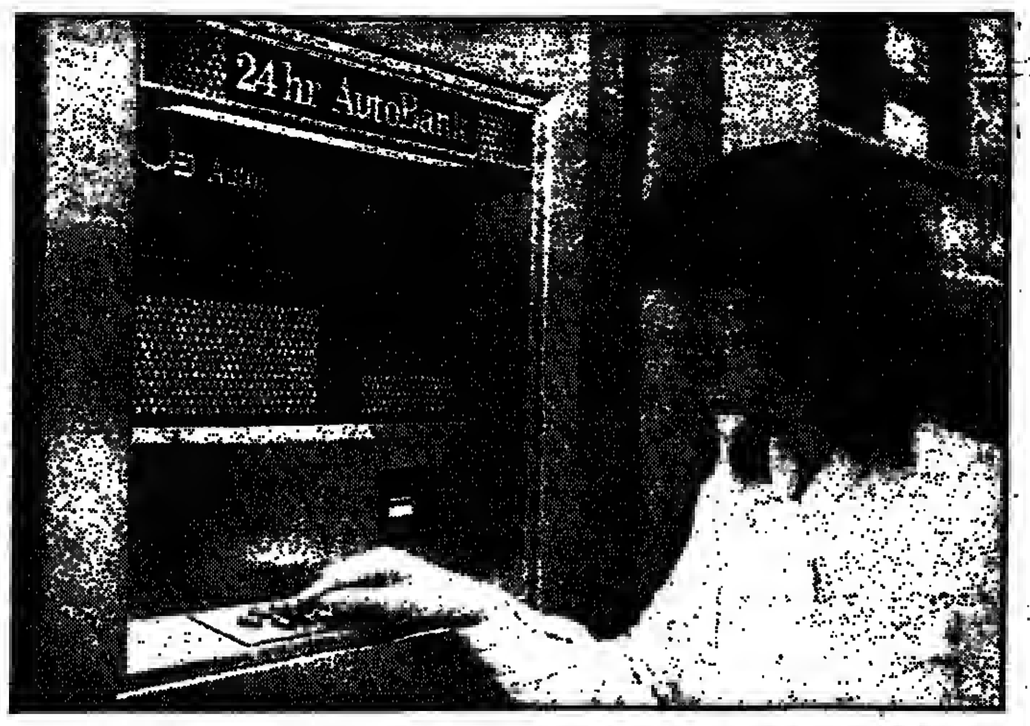


Suppliers of Identity Documents, Secure Cards and Systems to governments, banks, industry and commerce worldwide from locations in the UK, North and South America and Europe.

Members of
The De La Rue Group of Companies

Registered office: De La Rue House, Burlington Gardens, London W1.

Credit Cards 6



Ever-widening services are being offered by Automatic Telling Machines. In addition to obtaining cash at a bank they can also be used to obtain travellers cheques (right)

International Networks

More link ups on the way

ONE of the stranger habits displayed by High Street bank customers in the UK must be their seeming addiction to automatic teller machines (ATMs).

Despite a steady drizzle and hardly a customer to be seen inside the bank, a queue often forms at the ATM outside.

Whether this is a reflection on the British character remains doubtful, but it is certainly true that ATMs have captured the public imagination not only in the UK but worldwide. Indeed, they are just the leading edge in the advance towards electronic banking.

ATMs do the routine work otherwise done by a bank teller (or cashier). They dispense cash, accept credits, transfer funds and so on. They are operated by a plastic card and the customer's own "pin" number.

They allow the customer instant access to cash not only in the UK and international ATM networks are now co-operating in order to provide an even wider service.

American Express, for example, has just nine of its own cashpoint machines, known as "Express Cash," in the UK. Ironically, they also issue traveller's cheques and TC refunds — indicating that the world is still some way from a paper-less cash and payments system.

Through participation in a scheme called Funds Transfer Sharing, set up by a group of building societies, American Express cards can be used to obtain cash from a total of 140 UK machines.

FTS is due next year to become part of a wider organisation, including banks, known as Link. This will provide American Express with some 1,200 machines for card-members' use in the UK.

By comparison, there are just 32 Express Cash machines in Europe, including those in the UK, although American Express says it is hoping for co-operation with other banks. There are now 9,000 machines worldwide, with a target of 14,000 by 1987.

The scope for an international network of ATMs is enormous. Yet linkages have tended to occur in fits and starts, reflecting the fact that building international ATM networks is only the beginning of a movement that sees direct debit shopping and banking systems worldwide as its goal.

The debate about ATMs focused largely on costs. Where co-operation was seen as the answer, critics feared loss of competition as the end result.

Major issuers of plastic cards, such as Visa International, are capitalising on the ATMs with a vengeance. Visa's global ATM programme offers member banks an opportunity to expand their own ATM networks by converting their own proprietary ATM cards to the Electron Visa trademark.

Obviating manual operations and serving the needs of the consumer are clearly the first steps, but Visa has a longer-term plan. Point-of-sale terminals used in conjunction with the Electron Visa card are being tested in experiments with retailers and issuing members.

The electronic Visa card has been designed specifically for the transition from ATM/cash use to point-of-sale transactions. It is claimed to have three different encoding techniques which allows it to be used for both purposes.

Meanwhile, the other Visa cards — the Classic and Premier card — can also be used at ATMs, which now exceed 11,000 worldwide. Visa hopes that the figure will be 18,000 by the end of next year.

In the UK Visa cash dispensers include links with Barclays, Bank of Scotland, Girobank and Standard Chartered. Shared systems within the UK are still coming up in a variety of groups.

TSB Group is planning to spend an estimated £4.6m on linking its 1,100 cash dispensers to the joint network of Midland Bank and National Westminster Bank by early 1988. This will give each bank's customers access to more than 4,000 machines in what will be the biggest of the UK's four shared cash dispenser networks, it is claimed.

Midland and NatWest have shared a system since June 1983. But the system to be developed by TSB is expected to allow the bank to develop an electronic transfer at point-of-sale.

Building societies in the UK have lost little time in making the most of ATMs. A big link-up known as Matrix will allow customers easy access and may even, according to one hopeful society, make it easier to poach customers by bringing them to the society's window.

Some argue that the ATMs will erode customer loyalty to a single bank or other financial institution by taking away tha "personal" touch. But in respect of international networks it is precisely this "impersonal" global language that appears to be the reason for the success of ATMs, which do not see foreign languages or currencies as obstacles.

While major European banks have agreed to allow their different payment systems to "talk" to each other, thereby extending the networks, there is still confusion as to the role of the three main European payment systems.

Visa, Eurocard (which includes MasterCard) and Eurocheque are still in uneasy alliance. Mr Russell Hogg, chief executive of MasterCard, recently criticised the investment of bankers' funds in Eurocheque which he said a recent study showed to be little used.

A possible falling-out between MasterCard and Eurocard, which have not so far had a trouble-free partnership, could also delay an interchangeable cash card system.

The view of ATMs as the first step towards point of sale transactions may have complicated the issues further, but further steps towards electronic banking continue to be taken.

In the UK the first national network of petrol pumps activated by a credit card was announced last month by Barclaycard, whose Pinpoint pumps are to be installed at up to 130 Shell service stations early next year.

While the momentum seems to be growing other questions as to the wider use of plastic cards have arisen, and the UK Government has announced that it is to set up an independent review to examine the legal implications of electronic technology for banking payment systems.

Dina Thomson

France

Innovator in the field of smart cards

FRANCE HAS from the beginning been at the leading edge of credit card innovation and applications. In the early '70s, it was a Frenchman, Roland Moreno, who invented the so-called smart card — plastic cards containing a microprocessor with built-in information storage capacity which have a series of revolutionary applications ranging from cashless payments to electronic pinpointing of the medical or student records of individuals.

After several years of trials, the smart card is now coming into industrial production not only in France but also in the US, where the French Bull computer group plans to start manufacturing its memory-chip cards at a new facility in Dallas next year.

The first mass application of smart cards by banks started in France this year with the Cartes Bancaires programme to introduce in the country nationwide use of smart cards. The programme involves the introduction of about 17m smart cards for the French banking system between now and 1989 largely supplied by Bull but also by Philips. The Bull order involves 12.5m cards, while Philips is supplying 4.5m cards.

Coupled with the French banking programme, the French telecommunications authority has also launched a major scheme to install pay telephones accepting smart cards. Some 1,500 pay telephones were supplied in 1984, and by the end of last year about 15,000 pay telephones accepting smart cards were installed. The target is for the number to increase to 30,000 by the end of this year and to 100,000 by the end of the decade.

The French telecommunications authority is also seeking to extend the use of smart cards for its Minitel videotex terminals which are being increasingly distributed to French telephone subscribers. The Minitel has proved a major success in France and the telecommunications authority regards the smart card as a way of extending Minitel applications to home banking and shopping.

Indeed, the authority is preparing to market an optional card reader connected to Minitel videotex terminals which will enable payment for videotex services as well as home banking and telepayment applications.

French motorway operators have also been testing the possibility of using smart cards for toll payments. The Société des Autoroutes du Nord et de l'Est de la France is planning to use the Bull smart card for toll payments on one section of the motorway. Field tests on smart card applications have been conducted by the French post and telecommunications authority since 1982 in the city of Blois and at Lyon and Caen since 1984.

At a recent symposium on smart cards in Paris, the French Thomson electronics group said that its semiconductor subsidiary will have delivered a total of 15m chips for smart cards by the end of this year and that by the end of next year there would be 25m telephone smart cards—or "telecards"—and more than 5m bank cards using Thomson chips or micromodules.

The Bull computer group, which claims to be at present the world's only manufacturer of self programmable one chip microprocessor cards and that it is currently well in the lead of its competitors in this market, is now seeking to market its technology in several foreign countries.

Bull is making a particular effort in the North American market to market its smart cards. The French group is competing with Casio of Japan in a major test programme by Mastercard which is experimenting the use of smart card technologies in the US. Mastercard is testing Bull's system in Columbia, Maryland, and the Casio Card in Palm Beach, Florida.

In Columbia, the test involves 25,000 card holders and in Palm Beach it involves 15,000 card holders. In North America, Bull's card is also being tested by health care services, the US agricultural department and the Royal Bank of Canada.

Some American states also seem interested in using smart cards for driving licences. To back up the marketing efforts of its Dallas-based subsidiary Micro Card Technologies, Bull is planning to start manufacturing cards in the US at a new facility next year.

Other recent deals involving the French smart card technology is a contract signed by Crédit Européen to use chip cards in Luxembourg. The contract involves the supply of 30,000 Visa payment cards with an embedded chip.

Bull is also negotiating contracts for various applications of smart cards ranging from telecommunications to banking and other services in Italy, Switzerland, West Germany and Norway, among other countries.

Indeed, the Norwegian Bankers' Association has just ordered from Honeywell Bull 500,000 Bull smart cards worth NKr 15m. The order follows a successful pilot project from the end of 1984 tothe beginning of this year for an electronic payment system based on the use of the Bull PPS microprocessor card.

However, the French claim the Japanese and the West Germans have tried to stall the new smart card market to give themselves time to catch up with the French technological lead in this sector. Moreover, the French suspect that the West Germans have also been reluctant to boost the European chip industry by agreeing to harmonise European standards because Germany has tended in its bank credit sector to opt for the Eurocheque system rather than the Mastercard or Visa card system which have obvious interests in smart card technology.

Paul Betts

The French Bull computer group leads the field in the production of smart cards and they are in use in this butcher's shop at Blois, chosen along with Lyons and Caen to carry out field tests

The U.S.

High Street battle for customers

SPENCER ZAHN, designer and head of a Philadelphia marketing and advertising firm, helped Citibank to standardise the image of its Preferred credit card division with a distinctive typeface and identifying colour bar.

Used for the bank's Visa and Mastercard materials, the new look is meant to convey "the standards the bank wants to project for Preferred customers," said Mr Zahn, who commuted regularly between Philadelphia and Citibank headquarters in New York to carry out the work.

"Wa wanted to establish an attitude about the Preferred cards and maintain it for the sake of both the customer and the bank," he added.

For Citibank, whose 9m customers represent by far the largest credit card customer base of any bank in the US, a distinctive look is a crucial step in gaining recognition and building loyalty for its cards.

In November it lowered interest rates on outstanding debt for the Preferred customers by 2 per cent to 16.8 per cent. But the annual fee for the card is higher, so that, says the bank, customers with $1,000 of outstanding debt would pay the same amount in a year on either the regular or Preferred accounts. The bank claims that the higher fee and lower interest rates are meant to distinguish regular and Preferred customers.

Despite denials of the importance of the lowered interest rate, most banks have been reluctant to cut interest charges much higher than the prime rate of 9.5 per cent.

Since Americans have happily increased their charge-card debt from $83.2bn in 1982 to $152.6bn in 1986, banks have hoped that customers were unaware of the high cost of their borrowing. But banks that have publicised lower rates have seen applications for cards shoot up, indicating the possibility of e rate war.

Can manufacturers have stimulated sales through interest rates as low as 2.9 per cent, but people still use their credit cards when they could get personal loans for 13.5 per cent and loans against whole-life insurance for 8 per cent.

Although high rates would seem to be a prime source of profits, some analysts attribute the banks' fear of a price war to the danger of losses with interest rates still much higher than the prime rate.

In 1984 the banks began a direct-mail campaign in which they signed up customers with little concern that they might turn out to be bad credit risks. Letters arrived at most Americans' homes telling them that they had been "pre-approved" for cards with credit lines routinely set at $2,500.

Chosen sometimes by nothing more than their addresses, these potential borrowers showed the banks the danger of their lack of caution. Loan losses on cards issued in 1984 are running at some banks as much as 8 to 10 per cent of outstanding balances.

High interest rates cover the losses, especially when after-tax returns on assets in credit-card units runs at 2 per cent compared to 1 per cent on most transactions. But Mr Robert Albertson of Smith Barney thinks that "at 15 per cent probably three-quarters of all card issuers will be under water."

Confining lower interest rates primarily to premium cards is itself a clever marketing tool for banks to identify customers who make the effort to keep track of their interest payments.

Premium customers also tend to be better credit risks, defaulting only 0.25 per cent compared with the 2 per cent national average. Even banks that have lowered their interest rates have boosted their returns by eliminating the 20 to 30-day grace period before interest starts being charged.

Since Americans pay an annual fee of about $20 for their credit cards, they have come to take the grace period for granted, even if they provide banks with no other income from interest payments. The customer has to be told about the elimination of grace periods, but it is usually done in print as hard to understand as it is to read.

While waiting for the possibility of a rate war, banks and other credit card issuers have been inventive in finding ways to attract new customers and get them to use the cards. The latest bright idea is affinity cards, which are issued in conjunction with a charitable organisation that gets a tiny donation for each use of the card.

Rather than make a one-time sale of the group's list to the card issuer, the participants in this scheme maintain a continuing relationship that encourages the card-carrier to use the card after getting it.

The idea takes a step beyond American Express's constant blandishments to get its 17m US card holders to use their Amex cards. This is a consideration when the average American keeps seven different cards.

During the Statue of Liberty rehabilitation, the company, whose executive offices overlook the status in New York Harbour, gave money to the restoration fund in proportion to the charges Americans put on the card.

As a charge card rather than a credit card company, American Express makes its money from the commission paid by merchants and the annual fees of $45 for the green card and $65 for the gold card, which has a borrowing feature in collaboration with banks. Amex recently introduced a by-invitation-only pletinum card at an annual fee of $250 for customers with at least $10,000 of charges the previous year.

American Express has taken a new tack in a new inducement for people to use the card in doubling the warranty period up to a year for products bought with the Amex card. This marks a subtle shift in getting people to use their cards for durable purchases but not the more luxurious items, such as restaurant meals and air fares, with which the card is primarily associated.

Its campaign "Don't leave home without it" have been the envy of the credit-card industry for their high prestige and visibility, though some wonder whether the company will jeopardise itself by widening the products with which it associates.

Visa and Mastercard are moving up-market with their own version of gold cards in an effort to overcome what might otherwise seem to be the saturation of the US credit-card market. By trying to switch customers to a premium card, banks and other issuers are hoping to capitalise on the greater use prestige customers make of their cards—presenting them, statistics show, 50 per cent more often and charging 150 per cent more than standard-card bearers.

Some issuers like the Bank of New York offer discounts on charges made with preferred cards, a trend that may increase as the country's 2,000 card-issuers look for new ways to attract customers.

The latest large entrant to the credit card field is Sears Roebuck. It has long issued credit to its own customers and now is widening the service into a full-scale credit card. With 29m Sears charge customers, it had a head start on attracting 4.7m customers for the year-old Discover card, which is accepted by 380,000 merchants besides Sears.

With no annual fee and a "Cashback" rebate of as much as 1 per cent of purchases, Discover completes the circle of Sears' financial services, which includes Dean Witter stock brokers, insurance companies and real estate agents and now provides retail credit beyond its own shoppers.

Visa, the leading US card is taking the Sears challenge seriously by warning merchants that accepting Discover gives customers away to Sears. In a brochure distributed to retailers, Visa says: "As long as Sears sells the same kind of products you sell, Sears will compete for the same kind of customers—your customers."

Though promoting Discover will cost Sears $115m this year alone, the card has had a gratifying acceptance rate of 17 per cent of those to whom it has been offered, compared with an average of 1.5 per cent or less with other cards.

It is tha kind of competition from which the consumer can expect to benefit, if the interest rates do finally fall significantly.

Frank Lipsius

Plastic Card Technology

The search goes on for inbuilt security

PLASTIC CARDS today fall technologically into one of three types, magnetic stripe (mag stripe), laser and "smart" or chip cards.

All three have their advantages and disadvantages. If the smart card has possibly the greatest potential, it also has some of the greatest drawbacks.

The mag stripe card is the commonest card in use today. Bank service till cards, Access and Barclaycard in the UK are all of this type. There is a core of paper or another substance laminated within layers of clear plastics material. Sealed under the plastics laminate is a brown stripe of magnetic recording material very similar to conventional audio recording tape.

In fact, commercial audio recording methods are used to "write" onto the stripe or read from it. Conventionally, the stripe is separated into three tracks. Track one is used by airlines for their credit card operations but is not used by the banks or credit card operations.

Track two is usually written before the card is despatched to its owner and contains only the information needed for online operation — that is, when the device which reads the card is directly connected to the card issuer's computer centre.

Track three can be written in service by the card reader — it might be, for example, a bank service till (through-the-wall machine) recording the amount a customer had drawn at any one time.

The mag stripe card is very cheap to produce — perhaps 50p or less — but it is the least secure of all the card options. Card blanks can be stolen or fabricated. The magnetic information on the card can be read, duplicated or modified by a competent electronic engineer using inexpensive techniques. There is nothing to tie the card to its genuine owner apart from the use of the Personal Identity Number or PIN.

This is at the heart of one of the major disagreements among those specialising in card mediated transactions. How secure is off-line working? In on-line working, the customer's card need contain only enough information for the reading device (service till or point of sale) to make contact with the card issuer's computer centre.

The customer keys in his or her PIN which is also transmitted to the computer centre and it is there that agreement is reached, electronically, that that card agrees with that PIN.

For off-line working, however, the PIN is encoded on the card so that the reading device can agree on its own account that card and PIN match. The argument is that however well encrypted, if the PIN is written on the card it is less secure than a card with only basic housekeeping data.

It is comparatively easy to forge plastic cards. One measure to defeat the forgers adopted a few years ago was to fix a hologram, a three-dimensional image created using an expensive and complex technique, as a guarantee that the card was genuine.

There were fears that it would prove feasible for criminals to fake or copy the holograms, but in fact they have proved a very reliable test of the validity of a card. They do not, however, prove that a card belongs to a particular person.

The next step which can now be demonstrated by the De La Rue group, is to attach to the card an image of the owner. The technique De La Rue uses involves a special material sealed into the interior of the card which can be "drawn on" using a high powered laser. According to Mr David Millar, managing director of Bradbury Wilkinson Data, the De La Rue subsidiary specialising in plastic card technology, the image, once created, can neither be modified nor substituted without destroying the card.

Other measures which would greatly improve the security of the mag stripe card include laying a deep magnetic impression into the stripe; EMI has pioneered such a technique.

Mr Jerome Svigals, however, in his book Smart Cards argues that it is unlikely that conventional plastic cards can be improved sufficiently to meet future worldwide security standards.

The future, it seems, belongs to laser cards and smart cards — although as Mr Miller of De La Rue points out, it is as well to beware of "Moon Bumps" — the idea of using dust from the surface of the moon as a unique guarantee that a card is valid — where large scale financial transactions are concerned, he is saying, it is best to keep one's feet on the ground.

Laser cards have been pioneered chiefly by the Drexler Corporation. The basic idea is similar to that of the laser disc. Pits are cut in a metallic medium by a laser in a pattern representing letters and numbers. Such a card has huge memory capacity — a typical Drexler card can store up to two million bytes (16 million bits) of data, equivalent to about 800 A4 pages of typed information.

The corporation expects to be able to quadruple this capacity by 1988. In May this year, Sumitomo Bank in Japan began testing the Lasercard in the world's first banking experiment using this new medium.

The smart or chip card, e credit card sized piece of plastic containing a complete computer system, microprocessor, memory and input/output devices is seen as the financial card of the future. Extensive trials show that it is a possible alternative to the mag stripe card despite the fact that it costs much more to fabricate.

As Sarah and Ronald Brown point out in The Smart Card*, one of the most comprehensive treatises on smart card technology and uses: "1986 has seen a remarkable change in the fortunes of the smart card . . . by the autumn many analysts were predicting they would come into widespread use, perhaps as early as 1989."

The smart card, they suggest, could be the dominant type by the mid 1990s. "It now looks as though anyone involved with any of the many applications of plastic cards is going to have to take this new development very seriously indeed and get involved now in the preparation for its widespread use," they say.

There is certainly a new variety in the kind of smart card being fabricated and tested. Philips of Holland and Bull of France have sunk their differences in the development of a common card design. In the UK, GEC has developed e card which has no need of metallic contacts to send messages to and from the card's computer.

This could be an important development as there is concern about the mechanical strength and reliability of the smart card.

Some companies are planning massively sophisticated smart cards with computer system, display and keyboard all contained within the limits of a traditional plastic card. Others are looking to an enhanced variation of the mag stripe card with greater storage capacity and security.

Inevitably, because the mag stripe card is already well entrenched in the world's personal payment systems, it is unlikely to be replaced in the next few years. Equally, it is hard to disagree with those who argue that the smart card is so much more versatile, so much more effective that it will eventually sweep the board in electronic payments.

* *The Smart Card Post-News, Tel: 0935 88 345. £134.*

Alan Cane

Towards electronic shopping: a Barclaycard used in the DARTS trial at Brent Cross shopping centre

Electronic Transfer of Funds

Slow advance to cashless shopping

THE HUMBLE plastic bank card seems likely to remain the key to electronic shopping for the foreseeable future.

In theory, to manage a trading society without cash or kind it is only necessary to establish that the customers really are who they say they are, and that there is sufficient funds in their account to cover the cost of their purchases.

For the futuristically minded, that could mean counter-top devices capable of analysing a customer's signature, fingerprints, even smell, and comparing the result over telecommunications lines with a master record held in a computer system in the customer's bank or building society.

The rest of us will have to resign ourselves to the "mag-stripe" card (the conventional bank card with its brown stripe which can carry magnetic characters) or the "smart" card as the passport to the cashless society.

It has to be said at tha outset that cash is proving peculiarly difficult to kill off. The technology to replace cash with streams of electronic messages flowing from shop counters to bank computers has been available for years. There have been many experiments in cashless shopping—or electronic funds transfer at the point of sale eft/pos—but little success anywhere in the world.

Exceptions include Belgium which has the makings of e comprehensive eft/pos system through co-operation between the two major and rival bank networks, Bancontact and Mister Cash, France, the most advanced country in Europa for eft/pos installations, and Singapore where 10,000 or more customers use the NETS (Network for Electronic Transfers) system.

For tha rest, progress has been patchy. North America has witnessed a multiplicity of small scale trials but has nothing in the way of an integrated netional systems. Some of its networks, however, are substantial. The Mastercard MAAP credit card network supports over 28,000 terminals.

Many believed that the UK had the best chance of all the European countries to take tha lead in establishing a nationwide network. It is geographically the right size, with effective telecommunications links and a small number of large hanks.

Eft/pos in the UK has had a cheqnered history, however, characterised hy a series of false starts and delays going heck over 10 years.

At the beginning of this year, EFT/POS, a company set up jointly by all 12 of the UK clearing banks to manage a combined approach to cashless shopping, put forward tha blueprints for a national eft/pos network. It was to be spearheaded by a pilot scheme, a prototype scheme to be set up in Southampton, Leads and Edinburgh and launched in April 1988.

The blueprint, or business service specification (BSS), as it was called, did not meet with immediate agreement. Indeed, it saems that it was only when the most senior managers from the major banks read the BSS that they really realised the business and comercial implications of the course they were taking. Until then, eft/pos had been seen chiefly as a technical problem, a useful method of saving money that could safely be left to the computer specialists.

It is thought that the UK banks have now agreed a modified version of the BSS to take into eccount each of the participant's legitimate aspirations in terms of flexibility and freedom to compete.

The difficulties which are impeding the rapid implementation of eft/pos in the UK are common to many other countries. They turn around the questions of who should pay for the service, who benefits from it and how can competition he stimulated in common framework.

Eft/pos has been, for the most part, a technologist's dream. To the computer specialist, it was obvious that money could be replaced by a plastic card and tha cash register by a device which could "read" the magnetic writing on the card and either store details of the transaction in its own memory or communicate with a central computer, checking the card's validity and tha owner's liquidity.

Bankers were happy to go along with the technologists hecause they were anxious to gain the benefits of eft/pos which they perceived as saving them money. They saw a way of reducing, perhaps eradicating, the ever increasing volumes of paper which they were expected to deal with through the cheque clearing system and credit card transactions.

They saw a reduction in the amount of cash money they would have to manage and handle and perhaps most important of all, they saw a way of capping hank and credit card fraud. An eft/pos terminal operating on-line (directly connected to the computer) is generally recognised as the most secure system available for electronic shopping.

Tha bank's position has changed quite sharply over the past few years putting many of these apperent benefits in doubt. While cheque volumes continue to mount, the banks have improved methods of dealing with it and it does not seem as critical as it did in tha 1970s.

Furthermore, eft/pos is based on the idea of instant *debit*; when a sale is agreed, money moves at the speed of light from the customer's account to the retailer's. In tha West, however, the banks and other financial institutions are making their money from selling *credit*.

Their customers, moreover, are used to several weeks grace before goods bought through a credit card have to be paid for. Only in the Far East, Hong Kong and Singapore, basically cash-based societies, does this loss of free credit not rankle.

There is a steady appreciation in financial circles that electronic technology can be used as a tool to gain competitive advantage as well as a technique for cutting costs. Each organisation, therefore, looks closely at what it stands to gain and lose, pay for and be paid for, in any shared system.

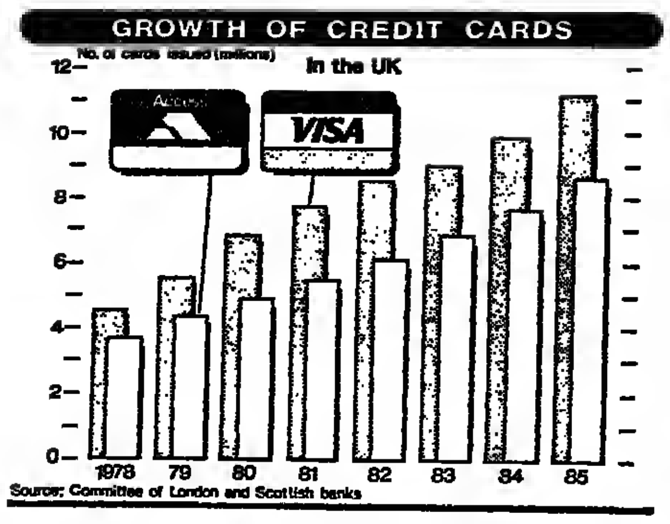
Despita the doubts and delays, most experts believe the advent of full-scale eft/pos is only e matter of time. The big commercial decisions are being taken now. The technology to implement them is not part of the problem.

Alan Cane

Credit Cards 8

Kodak's KAR system in use at Barclaycard's Brighton headquarters

GROWTH OF CREDIT CARDS



Source: Committee of London and Scottish banks

Cashless society

CONTINUED FROM PAGE 1

privatisation issues, and the general greater awareness of financial matters.

The average income of an Amex Green Card holder is £22,500 and it is almost double that for a Gold Card holder. It is an affluent group, which is already tested for credit worthiness. The number of charge cards is greatly exceeded by credit cards, with Visa and MasterCard as the world leader.

Last year the value of credit card transactions completed by the 17,500 member banks of Visa International rose by over 25 per cent to top $107bn. There were 137m cardholders in 170 countries.

While the charge card companies were first in the field, the banks have not been slow to jump on the bandwaggon. Midland Bank for example this month is introducing the Midland Gold Service, which it describes as a money management package for top customers.

Its Gold MasterCard offers cash drawing facilities around the world; a £10,000 overdraft facility with an interest rate only 2.5 per cent above base rate; free accident insurance and medical assistance when travelling away from home; the use of Thomas Cook travel services including a 5 per cent discount on holidays. A free financial counselling service and a direct share dealing telephone service with another of the group's subsidiaries, Greenwell Montagu, completes the package.

Midland have only put together in one package some of the many services now being proffered by the card companies. As the technology improves, so the range of possibilities widens.

Although fraud remains a major problem, it is not slowing down the tremendous expansion in the industry. Possibly a bigger danger is that by over-encouraging customers to spend, often beyond their financial limits, card companies are building up a store of potential problems at a time when fierce competition is squeezing margins.

If the growth of bad debts was to continue rising, the industry might well find itself in political trouble too with governments becoming increasingly worried about the controls on the money supply being undermined by lack of normal financial responsibility.

Turnover by type of purchase

	Visa %	Access %
Petrol	18	18
Other Motoring Expenses	5	4
Clothing and Footwear	13	13
Travel and Holidays	12	12
Electrical Goods and Cameras	11	11
DIY and Home Improvements	6	7
Furniture and Furnishings	7	9
Business Expenses	6	4
Food and Groceries	5	7
Entertainment and Leisure	4	4

Source: AGB Index, 1986

The suppliers

Into the supersmart era

A BEWILDERING variety of suppliers are involved in the plastic card business. There are the card manufacturers like PMI Data and Data Card who produce, in conditions of great security, the laminated paper blanks ready for processing.

There are hologram photographers who create the unique images ready for the security printers like de la Rua to impress on the surface of the cards. There is still a long way to go in this technology.

Applied Holographics, for example, based in Essex, England, last month announced a new development which it claims as a major step forward in the protection of secure data written onto credit cards.

It has developed a method of bonding a reflection hologram, similar to the kind now found boond to the surface of bank cards, between the paper substrate at the core of the card and the plastics laminate.

Applied Holographics says that the bonded holograms cannot be copied and that any attempt at removal would result in its destruction.

The company claims that the hologram can also be read by automated machinery: readers are already in existence albeit in a very simple form, which are capable of utilising the information provided, it says.

Plastic cards bearing magnetic stripes are comparatively simple to fabricate. "Chip" or smart cards with a complete data processing system embedded within their thickness are more challenging.

The makers include Bull-CP8, a subsidiary of Bull of France, which claims to be the only maker of smart cards based on a single processor chip.

These very advanced cards are made under licence by Philips and others. According to Sarah and Ronald Brown, writing in Tha Smart Card, Mr Herve Nora, chief executive of Bull-CP8 says the company has a backlog of orders of 20m cards.

If the Japanese and others want to develop single chip cards, Mr Nora says, they will have to negotiate a licence with Bull.

There are interesting developments in the US, however, where Intellicard International of Colorado Springs, Colorado, is producing a "supersmart" card, self-contained and complete with keyboard and simple display.

The card, once fabricated and assigned to a customer, has to be used and another raft of manufacturers are responsible for creating terminals with the ability to read the information inscribed on the card and use that information to complete a transaction.

Account query terminal in a French bank via the memory card (Bull CP8 technology)

The simplest card reader of course, is the pressure type used with vouchers issued, for example, by Visa or Mastercard.

Most card issuers, however, are moving away from the mountains of paper created by this form of transaction capture towards electronic data capture.

The list of companies involved in the manufacture and/or distribution of cash dispensing or point of sale terminals is extensive and includes IBM, ICL, Olivetti, Burroughs, Philips, NCR and Sweda.

The sophistication of the devices on offer varies enormously. Some are equipped to do little more than record a transaction, filing away in memory details read off the magnetic stripe on the card ready for printing out or transmitting to a central computer later in the working day.

The height of sophistication, in the UK at any rate, is to be seen in the systems being installed by the banks and building societies for trials of electronic funds transfer at the point of sale (Eft/Pos).

The Midland Bank's trial called Speedline, based in Milton Keynes, uses Nixdorf Computers' 8812 Eft Pos terminals. It is thought to be the first project in the UK to cater for both credit and debit cards.

Some ideas of the variety of machinery on offer is given by the fact that a trial garage forecourt automation project being carried out by Shell in conjunction with Barclaycard uses controllers from Ambriton of Newbury, Berkshire.

The controller incorporates an identification unit built by Ericsson.

In the UK there will be a major opportunity for terminal manufacturers with the publication of the specifications soon for a national Eft/Pos system.

Initial discussions have already been held between terminal manufacturers and EFTPOS Administration, the banks' Eft/Pos organisation. A broad range of terminals is expected to be allowed as long as they match the standards to be laid down in the national scheme.

Transaction processing (tp) software to control all these systems is as important as the hardware. The world's most popular financial tp software is Base 24 from the US company Applied Communications International. The licence in the UK is held by the CAP Group.

Its nearest rival is On/2 from Shared Financial Systems of Dallas, Texas which is being used in the UK by the Access organisation. It is licensed in the UK by Logica.

Alan Cane

Fight Against Fraud

Vigilance through the microchip

"OUR FIGHT against fraud is a great success story" says Mr Peter Ellwood, chief executive of Barclaycard. The amount lost through credit card fraud in the UK fell from £6.1m in 1984 to £5.4m in 1985 despite a 31 per cent increase in turnover, according to Barclaycard.

The total amount lost by credit card companies through fraud is nevertheless staggering, and not everyone shares Mr Ellwood's views on tha successful campaign against fraud.

Firstly, experiences encountering fraud differ. Access reported £7.9m lost as a result of fraud in the year ended June 30, 1986, compared to £6.6m in the previous year. It claims that in 1985 all issuers of plastic cards in the UK suffered a total loss of £50m as a result of fraud.

American Express sees "a substantial rise among white collar fraud" in the last year alone, which Mr John White, one of its "special agents" investigating cases of fraud attributes to a deteriorating economic climate in Britain.

At American Express, a worldwide network of offices liaises with the police and security services in connection with tha intentional misuse of its card. In the UK it is headed by an ex-Scotland Yard detective, underlining the fact that plastic card fraud is crime, often involving large amounts on an individual basis.

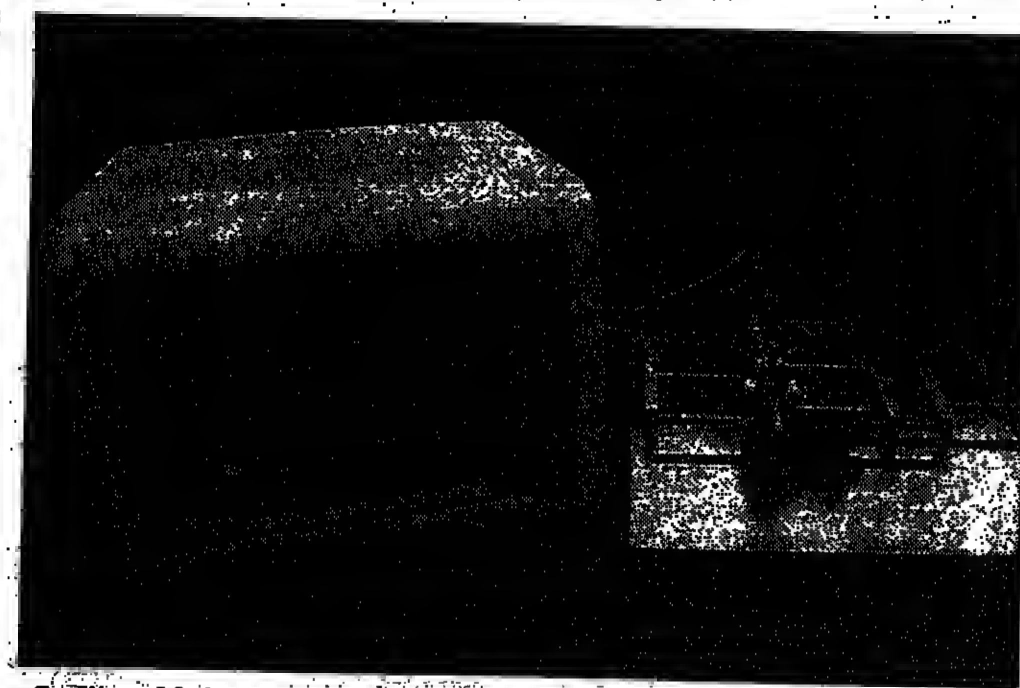
Card companies have had to defend themselves against a barrage of assaults—counterfeit cards, altered cards, lost or stolen cards, and cards lost or stolen through tha mail.

The bulk of the response to fraud has been in improving vigilance among bank and retail staff, capacity and training in telephone authorisation departments of credit cards, and safety "warnings" to the consumer.

Access estimates, for example, that cash advances account for about 10 per cent of its fraud losses and despite warnings, many people still keep their pin number alongside their cash cards, making it easy for thieves to obtain cash from automatic dispensers.

As the consumer normally has limited liability regardless of carelessness with the card, the onus is on the card companies to do more to prevent mounting losses.

A major field of innovation has been in the attempt to make it harder to counterfeit plastic cards by means of holographic security foil. This involves placing a threa dimensional image on the card which requires sophisticated laser technology and is difficult to reproduce.



Credit card being scanned in microwave sensor system and the signal on display in a laboratory test

Visa and MasterCard use such foil, which is produced by tha American Banknote Company. In the case of Visa, the image, that of a dove—depicted in silver for the ordinary card and gold for the "Premier" card—has also featured in its advertising.

Mr Piers Currie, communications director of Holovision, a London-based company which claims to be the first apart from ABN to have applied holographic foil, is enthusiastic about the future of holograms for plastic cards.

"Holographic foils have become an integral part of credit cards. Not only do they have a tremendous security value, but they also have an added-value, in that individual institutions can opt for a tailor-made holographic image, he says.

While the use of holograms may enhance the image of a card, however, the extent of security protection provided is debatable. Although the card may be much harder to counterfeit, it may still be abused in the face of a lack of vigilance among retailers or banks.

Having accepted the novelty of a holographic image on the face of tha card, few people look at the image itself. One cardholder experimenting with a different holographic foil image on top of the original on his card found that it went undetected in London for months!

The two dominant charge cards, American Express and Diners Club, have not yet resorted to holograms on their cards. At American Express Mr White says "We have not used a hologram due to high costs, and because it does not seem to be efficient. The Barclaycard/Visa hologram has already been tampered with because it is not deep enough."

American Express suggests that the quality of the plastic used can make it harder to counterfeit the card. In its own case, it argues, the pattern on the card serves to make the process of counterfeiting more difficult.

"We are putting all our eggs in the basket of a computer system worldwide (to combat fraud)" says Mr White. MasterCard'e private packet switching network, known as Banknet, and the VisaNet system are also aimed to combat fraud by providing direct authorisation outside public telecommunication networks.

Visa and MasterCard are co-operating to set up an international database of criminal records, known as Giin—the Global Investigative Intelligence Natwork. Bnt computer-based co-operation could go a great deal further.

The advent of electronic shopping or an eftpos system (electronic funds transfer at the point of sale) could increase security in tha use of plastic cards.

"Authorisation telephones are precursors of a nationwide and ultimately a worldwide eftpos system which will give instantaneous anthentication of the cardholder, authorisation of the transaction, and, of course, provide funds transfer capability," says Mr Mike Blackburn, chief executive of Access.

In tha UK, plans to go ahead with eftpos have been rumbling on for a decade, and it now looks as if a modified version of the original plan may go ahead to be operative in early 1988.

American Express is clear that on a worldwide basis, its computer system can hest handla fraud with the introduction of point-of-sale terminals.

But while eftpos is etill a few years away as far as tha UK is concerned, and much further away on a global basis, attention is increasingly turning to the second generation of plastic card known as the "smart card." "Smart cards" contain a microcomputer which can check the holder's identity, carry out the transaction, add it to the card memory and make sure the credit limit has not haen exceeded. Although costs of thesa cards have so far heen a deterrent, particularly in the UK and Europe with the exception of France, they offer the technological advances ultimately needed in the fight against fraud.

Dina Thomson

World Markets

High cost holds back use of 'clever' cards

COMPETITION in retail banking worldwide, coupled with fears about actual and potential losses due to fraud, have caused a seemingly inevitable movement among credit card issuers towards the "smart" (meaning "clever") card.

Pioneered by the French some 10 years ago, it provides "intelligence" recorded on a microcomputer chip embedded in the card. This has enough memory to hold details of the holder's account, his credit limit, a record of all his previous transactions and a special security number.

There is thus no need to go "on line" to a central computer. The microchip in the card will check the holder's identity through his PIN (personal identity number), authorise the transaction, and make sure that the credit limit has not been exceeded.

Besides the security advantages claimed for it, the French Bull CP8, one of the commercially available "ordinary" smart cards, offers a wide range of uses from the recording of a person's medical history and scholastic record to controlling access to computers and buildings.

The Bull CP8 has had 12.4m orders over the past three years, and nearly 3m smart cards are now in use in France. But the French lead in this technology has not yet seized the imagination of Europe. The UK, in particular, lags behind.

Financial transactions appear to be the dominant field in the future use of the smart card. A report recently published by Post News suggests that there are likely to be 20m smart cards in use in France by 1990, approaching 100m in Japan and perhaps 500m in the US.

Toshiba of Japan is now developing a super-smart card for Visa International. It has its own tiny keyboard, a display and a miniature battery. The card is a self-contained transaction device with no need for a terminal.

When it is used in a shop or department store, the holder enters his PIN number (which he can choose himself) and details of the transaction. A number then appears on the display which the retailer uses for authorisation. The card offers greater security as the PIN number is an integral part of the card.

Visa is planning a field test of its new card by early 1988 and by mid-1989 a full service could be available to member banks.

Although Visa is moving towards the chip card it has shown some caution. A study conducted by a panel of member banks early this year acknowledged the greater security and reduced operating cost value of chip cards but concluded that "massive conversion to the new technology should be linked to the application of new revenue-generating services."

The high cost of the cards is also regarded as a disadvantage. Post News believes that even when costs are projected to the year 1996, with mass production at the multi-million level, the smart card will cost up to twice as much as a magnetic strip card.

While Visa has opted for Japanese technology, MasterCard has been conducting experiments with both the Bull CP8 design, manufactured in the US by Micro Card Technologies, of Dallas, and Casio Microcard of Japan.

MasterCard chief executive Mr Russell Hogg has, however, repeatedly called for co-operation with Visa in entering chip card technology.

According to a recent joint study by MasterCard and Visa, security losses from fraud and counterfeiting by 1990 could total almost $500m a year and credit losses may well total an additional $1.6bn.

MasterCard believes that the chip card will result in "a radical reduction in fraud and counterfeit losses, driving them down to virtually zero, plus a substantial reduction in credit losses."

Competition for the provision of smart cards to the issuers is growing. Logicard Systems of New York recently announced a product, while the Ulticard, a "super-smart" card, was launched some months ago by Smart Card International.

Mitsubishi of Japan recently announced a comprehensive range of straightforward smart cards, while Philips and Schlumberger make Bull designs under licence in Europe.

The most recent introduction has been by GEC in the UK, which offers an intelligent "contactless" card that communicates with the terminal by a miniature radio link. Improved reliability as well as reduced cost resulting from greater storage capacity and durability are claimed for it.

GEC is aiming for 10 per cent of the world card market and is emphasising the uses of the card in other than financial services in the same way as the Bull CP8 card.

In the UK, however, the application of smart card technology still seems a long way ahead. After a decade of talks, plans are only now under way for banks to participate in an electronic funds transfer at point of sale scheme—abbreviated as "eftpos."

The scheme, much delayed and now modified, has nonetheless pointed to the wider uses of credit cards — a step taken that much further by the smart card.

While talks about electronic shopping in the UK, involving the use of retailer terminals and the consequent cost of such terminals have continued, the development of the super-smart card has eliminated the need for terminals altogether.

Retailers have been generally against paying for the introduction of such terminals to their premises and the technology now available offers a way round that problem.

But choosing a technology amid the different patterns of change world-wide will be difficult and it seems unlikely that smart cards will lead to the immediate demise of the magnetic strip. A transitional period is likely to see a number of different phases of technology in use.

For the banks the attraction of the smart card lies not only in the potential reduction of fraud losses but also in the continually updated balance facility which ensures that no customer can exceed his credit limit and the consequent opportunity to extand a customer base to people who might otherwise have been considered too much of a risk.

Dina Thomson